

**Rhode Island Infrastructure Bank**  
**Commercial Property Assessed Clean Energy Program**  
**PROGRAM GUIDELINES**



**Version Date: 02/24/2020**

**Table of Contents**

- Section 1: Overview ..... 4**
  - A. Introduction ..... 4**
  - B. RI C-PACE Background..... 5**
  - C. Program Administration..... 5**
- Section 2: Benefits of PACE ..... 6**
  - Property Owners ..... 6**
  - Energy Contractors ..... 6**
  - Cities and Towns..... 7**
  - Mortgage Holders..... 7**
- Section 3: Eligibility, Participation and Process..... 8**
  - A. Flow Chart: Developing RI C-PACE Projects ..... 8**
  - B. Eligible Projects ..... 9**
    - 1. Eligible Measures ..... 9
    - 2. Other Eligible Measures..... 10
    - 3. Ineligible Measures..... 11
    - 4. Audit Requirements ..... 11
    - 5. Energy Savings Requirement ..... 12
    - 6. Post-completion Commissioning Requirements..... 12
  - C. Eligible Properties ..... 14**
    - General Criteria..... 14
    - New Construction ..... 15
  - D. Local Government Eligibility and Participation ..... 17**
    - Participation..... 17
  - E. Property Owner Eligibility and Participation ..... 17**
    - Eligibility ..... 17
    - Participation..... 17
    - Flow Chart: Owner Approval / Capital Provider Selection..... 18
    - Flow Chart: Finance Closing / Assessment Placement / Construction..... 18
    - 1. Initial Application..... 20
    - 2. Final Application..... 20
    - 3. Tasks, deadlines and sample project timeline..... 20
    - 4. Funding..... 21
    - 5. Disbursements..... 21
    - 6. Progress Payments ..... 22
    - 7. Program Participation Expiration ..... 22
    - 8. Change of Contractor ..... 22
    - 9. Change Orders ..... 22
  - F. Contractor Eligibility and Participation..... 23**
    - Eligibility ..... 23
    - Participation..... 24

<b>G. Capital Provider Eligibility and Participation</b> .....	<b>24</b>
Eligibility .....	24
Participation.....	24
<b>Section 3: Financing Standards</b> .....	<b>25</b>
<b>A. Financing Structure</b> .....	<b>25</b>
<b>B. Financing Term</b> .....	<b>25</b>
<b>C. Security</b> .....	<b>25</b>
<b>D. Underwriting Standards</b> .....	<b>26</b>
<b>E. Financing Costs and Interest Rates</b> .....	<b>26</b>
<b>F. Notice and Mortgage Holder Consent</b> .....	<b>27</b>
<b>G. Transfer or Resale of the Subject Property</b> .....	<b>27</b>
<b>H. Other Assessment Terms and Conditions</b> .....	<b>27</b>
<b>I. Program Fees</b> .....	<b>27</b>
<b>J. Interaction with Other Incentives</b> .....	<b>27</b>
<b>Section 4: Payment Process</b> .....	<b>28</b>
<b>A. How funds are billed and collected</b> .....	<b>28</b>
<b>B. How funds are disbursed to investors</b> .....	<b>28</b>
<b>C. Default and exercise of remedies</b> .....	<b>28</b>
<b>Section 5: Disclaimers; Other Program Requirements</b> .....	<b>29</b>
<b>A. Changes in the Program Terms; Severability</b> .....	<b>29</b>
<b>B. Disclosure of Property Owner Information</b> .....	<b>29</b>
<b>C. Fraud</b> .....	<b>29</b>
<b>D. Exceptions to these Terms and Provisions</b> .....	<b>29</b>
<b>E. Changes in State and Federal Law</b> .....	<b>30</b>

## Section 1: Overview

### A. Introduction

Rhode Island's (RI) Commercial Property Assessed Clean Energy ("RI C-PACE") program provides a new form of financing for building energy and environmental improvements. RI C-PACE is a voluntary financing tool which allows owners of commercial real estate<sup>1</sup> to access affordable, long-term financing for qualifying energy efficiency, renewable energy generation, and other clean energy or related environmental health and environmental safety improvements on eligible properties.

RI C-PACE financing is secured through a voluntary assessment on the building owner's property tax bill. Interested property owners may opt to receive long-term financing for as much as 100 percent of the cost of these improvements, thereby eliminating the upfront cost barrier to capital intensive energy upgrades.

This arrangement spreads the cost of sustainability improvements -- such as energy-efficient lighting, upgraded insulation, new window glazing, solar installations, co-generation, waste-to-energy systems, water conservation measures, and HVAC upgrades, etc. -- over a longer period than could be obtained with traditional debt financing. In most projects the resulting energy savings outweigh the annual assessment payment thereby generating positive cash flow for the building owner. RI C-PACE also helps address split incentives. In many cases, this may allow landlords to pass on both the benefits and the costs of RI C-PACE assessments directly to their tenants.<sup>2</sup>

Private capital providers will provide the RI C-PACE financing. Rhode Island Infrastructure Bank ("RIIB") maintains a list of pre-qualified capital providers on the RI C-PACE program [website](#). Property owners are free to arrange financing directly with one of the listed capital providers or bring their own capital provider to purchase the RI C-PACE assessment (i.e., fund the project). The RI C-PACE administrator will provide assistance in matching capital providers from the pre-qualified list with projects when requested.

Repayment of RI C-PACE financing is secured through a voluntary special assessment (similar to a sewer assessment) placed on the property tax or other municipal bill related to the property receiving the improvements. Under the RI C-PACE Statute, and regulations promulgated by RIIB, the RI C-PACE special assessment is subject to the same penalties and the same procedures as in the case of delinquent property taxes. With the written consent of all existing mortgage holders on the property, the RI C-PACE assessment has priority over all private liens on the property and is junior in priority to a municipal tax lien. Because the RI C-PACE assessment obligation runs with the property, the assessment automatically transfers to the next property owner if the property is sold. PACE assessments have a higher priority than private mortgages and other loans on the property.

RI C-PACE builds on a long history of benefit assessments that a local government can levy on real estate parcels to pay for installation of projects that serve a public purpose, such as sewers, sidewalks, fire

---

<sup>1</sup> Defined as commercial, industrial, agricultural, non-profit and multifamily (with 5 more units) properties.

<sup>2</sup> Subject to lease terms.

protection districts and business improvement districts. RI C-PACE serves a public purpose by providing a mechanism for Rhode Island cities and towns to increase community sustainability, reduce energy costs, reduce water use and waste, stimulate the economy, improve property valuation, reduce greenhouse gas emissions and create local jobs.

**B. RI C-PACE Background**

In 2015, Rhode Island passed legislation enabling Rhode Island Infrastructure Bank to establish a statewide RI C-PACE financing program for energy efficiency, renewable energy, and other eligible improvements on commercial properties. Each Rhode Island city and town may opt into the program by resolution of their city or town councils. After a city or town opts in, commercial property owners in that jurisdiction may avail themselves of the RI C-PACE financing program.

The RI C-PACE financing program will be available to both existing property retrofits and, with certain limitations, new construction. There is no minimum financing amount. However, because of the transaction costs involved, financing is best suited for projects above a minimum threshold amount, which the market will determine.

**C. Program Administration**

The Program Administrator, in collaboration with RIIB, has the responsibility for day-to-day coordination and delivery of the RI C-PACE program. RIIB has selected Sustainable Real Estate Solutions (“SRS”) as its Program Administrator (PA) and will select or source new administering entities through a competitive process if a change in program administration is required.

**Rhode Island Infrastructure Bank:**

Key Contact: Michael Baer

Phone: 401.453.4430 ext. 127

Email: [mbaer@riinfrastructurebank.com](mailto:mbaer@riinfrastructurebank.com)

**RI C-PACE Program Director:**

T. William Constantino Jr.

Phone: 401.519.1648

Email: [bconstantino@PACEworx.com](mailto:bconstantino@PACEworx.com)

## **Section 2: Benefits of PACE**

RI C-PACE offers multiple benefits to a broad range of stakeholders including property owners, municipalities, mortgage holders, lenders and energy efficiency/renewable energy contractors.

### **Property Owners**

RI C-PACE helps minimize the up-front investment, installation, and performance risk of energy upgrades, while helping owners lower their operating costs, improve the value and market competitiveness of their asset, and comply with energy mandates. RI C-PACE does this in several ways.

- Many owners lack capital to make energy improvements. RI C-PACE provides up to 100% up-front, long-term financing to property owners for qualified energy efficiency and renewable energy improvements. That means no money down. Audits, construction costs and measurement and verification can be wrapped into RI C-PACE financing.
- Owners may want to sell the building before their energy efficiency or renewable energy financing is repaid. The RI C-PACE assessment obligation is attached to the property and transfers to the new owner. Payments do not accelerate in case of default.
- Many owners feel energy efficiency and renewable energy improvements do not yield an adequate return on investment. The RI C-PACE program supports projects that generate energy savings that will, over the life of the project, exceed the up-front investment. In many cases, the financing is structured so that cumulative energy savings more than offset the additional, cumulative RI C-PACE assessments. These features of C-PACE financings support deeper energy upgrades that significantly reduce energy consumption.
- Many owners are uncertain that energy savings will perform as advertised. RI C-PACE helps building owners understand their future energy savings by providing third party review of the projected energy savings and impact on cash flow.
- Owners may need tenants to share in the costs of energy upgrades. As a benefit assessment repaid through the property tax or other municipal bill, under certain types of leases, RI C-PACE payments – as well as energy savings – may be passed along to tenants.

### **Energy Contractors**

The biggest barrier for contractors to converting leads to deals for energy efficiency and renewable energy improvements is the lack of access to up-front financing. RI C-PACE solves this. By allowing a property owner to access 100% up-front financing for up to 25 years, deeper energy efficiency and renewable energy improvements become affordable. The demand for building energy efficiency and renewable energy improvements will grow in Rhode Island and jobs will be created.

**Cities and Towns**

RI C-PACE is an economic development tool for cities and towns. Energy upgrades create a more competitive environment for retaining and attracting new businesses by lowering energy costs. Energy upgrades also create jobs and reduce greenhouse gases and other pollutants.

**Capital Providers**

RI C-PACE has created a secure, clean energy financing product for capital providers. The security comes from its position as a tax lien on a property. The lien, like all public benefit assessments, sits in a senior position to other encumbrances on the property, including mortgage debt and liens, but not municipal property tax liens. RI C-PACE is an open capital platform in which private capital provides C-PACE project financing.

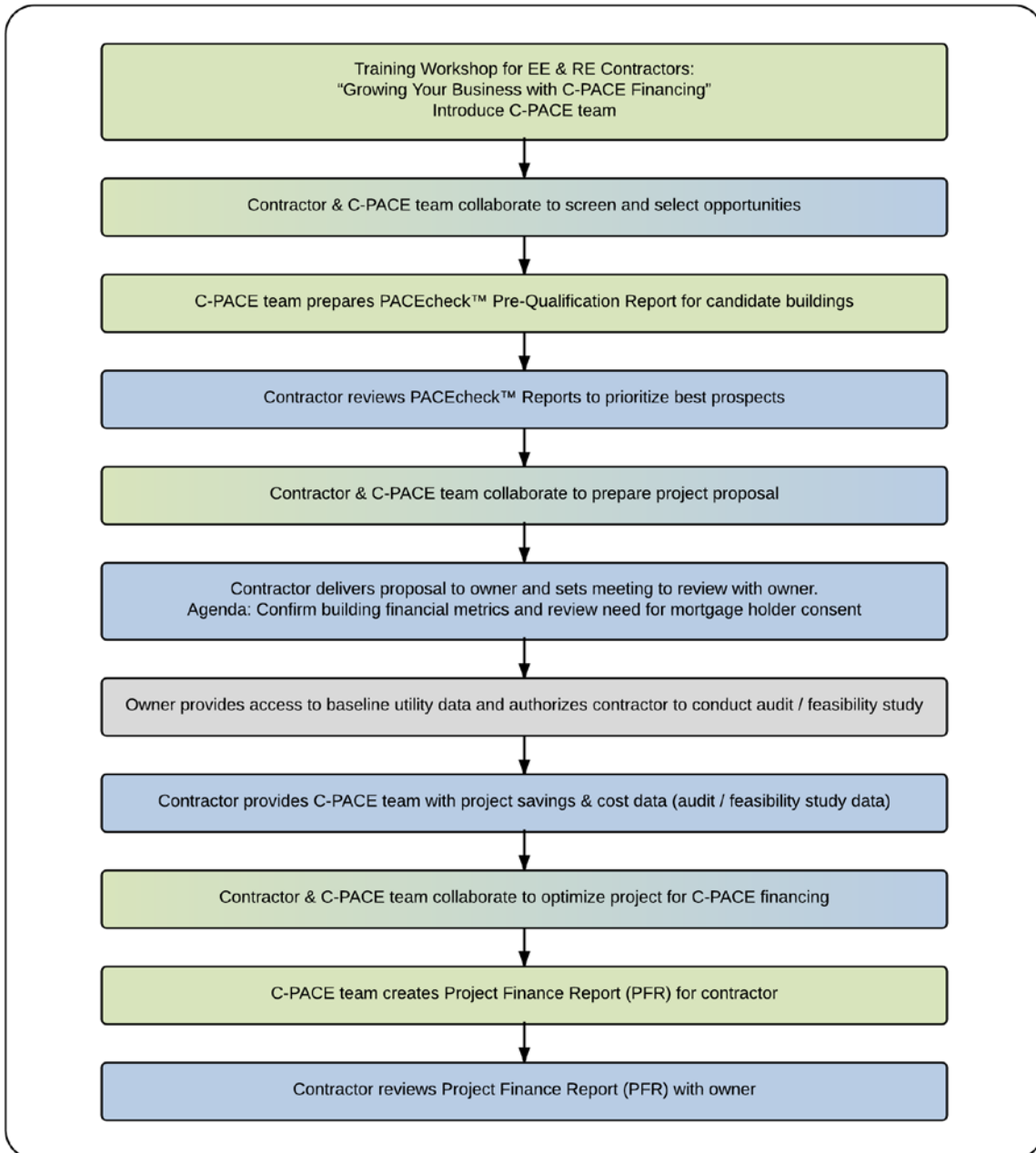
**Mortgage Holders**

The structure of RI C-PACE requires commercial property owners to receive written consent and approval from their existing mortgage holder before being eligible for RI C-PACE financing. Mortgage lenders will be stakeholders in the process of determining whether a property can undertake the voluntary assessment. RIIB encourages that projects seeking RI C-PACE financing achieve a positive savings to investment ratio ("SIR"), meaning that projected lifetime energy savings exceed the total investment (including debt). As a result of achieving a positive SIR, the property sees increased net operating income, an immediate return on investment and becomes more attractive to current tenants and future buyers.

### Section 3: Eligibility, Participation and Process

This section provides details on eligibility, as well as a flow chart that describes the steps required by each party to develop a project. It is possible that a project may differ from the steps described in this section because no two RI C-PACE projects are alike. If there is any question, consult with the PA.

#### A. Flow Chart: Developing RI C-PACE Projects



**Legend:**





## **B. Eligible Projects**

An eligible project for RI C-PACE financing must be located on eligible real property, be a permanent improvement or other approved measure, and owned by an eligible property owner. The RI C-PACE program will finance projects under the following eligible categories, including but not limited to:

### **1. Eligible Measures**

- Renewable energy
  - Combined heat and power (CHP) systems
  - Fuel cells
  - Geothermal systems
  - Hydroelectric systems
  - Small wind systems
  - Solar PV
  - Solar thermal
- Energy efficiency and water conservation improvements
  - Automated building controls
  - Boilers, chillers, and furnaces
  - Building envelope
  - Compressed air
  - High efficiency lighting
  - Hot water heating systems
  - HVAC (heating, ventilation, and air conditioning) including measures for data centers and steam systems
    - System component replacement
    - Heat recovery
    - Controls
  - Roof replacement
  - Windows and doors
  - Variable speed drives on motors, pumps, and fans

- Water conservation measures such as irrigation systems and low-flow fixtures
- System reliability upgrades
  - Micro-grids
- Alternative fuel infrastructure upgrades
  - Electric Car Charging Stations
- Other eligible environmental health and environmental safety improvements
  - Asbestos and lead abatement

A complete list of eligible projects can be found on [ri-pace.com](http://ri-pace.com).

The RI C-PACE program has a strong preference for permanently installed measures. If applicants propose a measure not listed, but which can be shown to be a utility cost-saving measure, such measure should be described in the application for RI C-PACE financing. This description should include technical evidence that the measure will save utility costs<sup>3</sup>. The PA, in consultation with RIIB, will review the application and determine whether the measure is eligible for RI C-PACE financing.

## 2. Other Eligible Measures

Project-related expenses incurred as a result of participating in RI C-PACE financing, subject to acceptance by the project capital provider, can also be financed. These costs include, but are not limited to:

- a) Energy/water audit costs;
- b) Renewable Energy Feasibility Study costs;
- c) Engineering and design expenses, including energy modeling for new construction;
- d) Construction and installation costs, including labor and equipment;
- e) Commissioning costs;
- f) Maintenance contract, for a period of up to five years, including measurement and verification costs, if incurred;
- g) Costs of extended warranties as necessary to cover the full finance term of the equipment being financed;
- h) Any capital provider-assessed fees and prepaid interest;
- i) Program administration fees;
- j) Application and permit fees; and
- k) Other project related expenses approved by the RIIB.

---

<sup>3</sup> A proposed measure must be consistent with the RIIB's guidance that *projects with an overall savings-to-investment ratio greater than one (SIR>1) are strongly preferred*. (The savings includes total savings over the equipment lifetime. The investment is the total capital investment including all fees and interest charges.)

### 3. Ineligible Measures

The program cannot finance projects that include the following:

- a) Measures that can be easily removed, such as energy-efficient appliances, with the exception of upgrades that RIIB determines are unlikely to be removed.<sup>4</sup>
- b) Measures that are not commercially available.<sup>5</sup>

Ineligible measures that are connected to eligible measures and are critical to the installation of the eligible measure (for example, an upgraded roof to support a roof-mounted solar PV system) may be included in the amount financed as long as the cost of the ineligible measures does not exceed 40 percent of the cost of the eligible measures.

When in doubt, contact RIIB or the program administrator for guidance.

### 4. Audit Requirements<sup>6</sup>

As a condition of financing Energy Efficiency Projects: RIIB encourages performance of an energy audit, water audit or analysis that assesses the expected energy and/or water cost savings of the improvements over their useful lives. For Renewable Energy Projects, RIIB requires the submission of a Renewable Energy Feasibility Study:

**Audits.** The RIIB encourages, at minimum an ASHRAE Level I audit or comparable analysis. Audits may be waived for single-measure type projects involving like-for-like equipment replacements, as long as the application demonstrates that newly installed equipment has been properly commissioned.

**Renewable Energy Feasibility Study.** For all Renewable Energy Improvements, the applicant must submit a Renewable Energy Feasibility Study. Renewable Energy Feasibility Studies provide technology and financing recommendations that a property owner or project developer should pursue. Ultimately, the feasibility study needs to provide enough information for the property owner or project developer and design team to make informed decisions about the types of technologies to include in the final project design.

The feasibility study should be performed by an experienced renewable energy professional with detailed knowledge of the renewable energy system under consideration, including technical and design issues, resource assessment, relevant policies and incentives, utility tariffs and interconnections issues, NEPA evaluations (where necessary), and project funding mechanisms.

---

<sup>4</sup> Ballasted solar is considered permanently affixed.

<sup>5</sup> Commercially Available Items are defined as the following: goods, services or items that have been offered for sale, lease or license to the general public through the commercial marketplace; goods, services or items not yet available in the commercial marketplace, but will be available in the commercial marketplace prior to intended installation date indicated by C-PACE project applicant.

<sup>6</sup> The Project Applicant is responsible for all costs and fees incurred as a result of the C-PACE program application, including costs associated with audit and renewable energy feasibility study (which may eventually be included in the project financing), even in cases where the project does not ultimately move forward to construction. The RIIB and the PA are not responsible for any costs incurred by program applicant in the event of a denied application.

## 5. Energy Savings Requirement

Unlike other commercial PACE programs, there is no statutory requirement that the projects generate positive cash flows based on energy savings. This means that, provided mortgage holder consent has been granted, the project can move forward with RI C-PACE financing.

While the RI C-PACE Statute does not require any demonstration of the Savings-to-Investment Ratio (SIR), the RIIB Board strongly encourages property owners and their contractors to submit projects that have an SIR greater than 1.0 for the following reasons:

- a) Mortgage holders will be more likely to consent to the imposition of the senior RI C-PACE lien for projects that show net positive cash flow;
- b) Property owners will be much more likely to proceed with the project;
- c) Capital providers will look more favorably on projects that show net positive cash flow over their lifetimes;
- d) In general, the higher the SIR, the greater the demonstrated environmental benefits of the project, helping to promote the goals for the RI C-PACE program set forth in the RI C-PACE Statute.

To calculate the SIR, savings are determined as the ratio of the total projected energy and water utility cost savings over the lifetime of those measures, divided by the total cost of those measures, including all fees and interest charges. For new construction, the energy savings should be calculated as the incremental energy savings gained above the minimum requirements specified in the new construction section of this document.

## 6. Post-completion Commissioning Requirements

### ***Project Construction Report***

During the project period, where necessary, the PA may conduct an onsite visit, or request verification of certain installations through photo and/or video evidence sent to the PA.

***Project Completion Report:*** Upon completion of the project, post-installation verification activities will be conducted in order to ensure that equipment/systems were installed as specified. These activities may include: required submittal of photographic or video evidence of completion, or an onsite inspection. Post installation verification requirements will be determined by the PA, on a project by project basis.

### ***Post-construction Commissioning Report***

The RIIB requires that a post-construction commissioning report be provided by the contractor upon completion of a project. The post-construction commissioning report can be performed by either a third party or the party performing the original installation of funded measures. The report should contain, at a minimum:

- a) A statement that systems have been completed in accordance with the contract documents, and that the systems are performing as expected of such an installation;
- b) Identification and discussion of any substitutions, compromises, or variances between the final design intent, contract documents and as-built conditions;

- c) Description of components and systems that exceed the owner's project requirements and those which do not meet the requirements and why; and
- d) A summary of all issues resolved and unresolved and any recommendations for resolution.

In certain instances, namely for projects representing simple, single measure, or like-for-like replacements, and solar PV projects where an electricity utility representative conducts an onsite inspection prior to system interconnection to the utility grid, the PA may grant a waiver that will be included in the post-construction commissioning report.

### C. Eligible Properties

An eligible project for RI C-PACE financing must be located on eligible real property and be owned by an eligible property owner.

#### General Criteria

Under the RI C-PACE statute, a parcel of real property is eligible for RI C-PACE financing if it meets the following criteria:

1. It is located in a city or town that has opted in to the RI statewide RI C-PACE program. A list of participating cities and towns is located here: <http://www.ri-cpace.com/participating-cities>.
2. If the project to be financed represents a retrofit to an existing building and it:
  - (a) includes a building, other than a residential building containing four or fewer units, which may include, but is not limited to an office or retail or lodging building, an industrial or agricultural building, or multifamily housing (other than for the portion of a building which has for sale housing units or “condominiums”), or
  - (b) contains an improvement or connected land that, for purposes of ad valorem taxation, is billed with a parcel meeting the requirements of (a) above.  
  
***For example:*** If a commercial building occupies 25 percent of a tax parcel of property, subject to applicable zoning/density regulations; RI C-PACE financing could be used to install solar panels on the remainder of the parcel.
3. If the project to be financed represents new construction, the new construction must:
  - (a) be for an eligible building and
  - (b) may also include upgrades to an improvement or connected land that, for purposes of ad valorem taxation, is billed with a parcel meeting the requirements of (a). The ***Example*** given in 2(b) (above) would also apply in the case where a solar project would be constructed on land connected to the new construction project.
4. The property is (or is eligible to be placed) on the property tax rolls of the city or town in which it is located and has a property tax identification number.

## New Construction

New construction projects present a unique opportunity for C-PACE financing in RI from which both economic development and environmental benefits are expected. The C-PACE financing structure can unlock capital to enable a property owner or developer to achieve higher building performance – improvements that are often “value engineered” out of a project – and it may also reduce the project’s weighted average cost of capital.<sup>10</sup>

Once an application is received, the RI C-PACE Program Administrator will coordinate with the utility (National Grid), the project developer, property owner, engineering/construction firm and/or energy modeling firm, and capital provider depending on how a particular project will proceed. The purpose of this coordination is to understand the project, review C-PACE requirements (particularly with respect to building energy simulation modeling), and ensure consistency with potential utility incentives.

The applicant is required to provide total project construction cost by trade component in order to allow the RI C-PACE Program Administrator to evaluate the “total eligible construction cost” (TECC). The applicant will also be required to confirm that the building will be designed to exceed the current RI energy code (IECC 2015/ASHRAE 90.1-2013). The current RI energy code is used as the baseline and the maximum C-PACE finance amount will depend upon the percentage the building energy consumption as designed exceeds this baseline. The maximum C-PACE finance amount cannot exceed 30% of the TECC. “As designed” building energy performance must exceed the baseline by at least 5% to be eligible for C-PACE financing.

Building energy performance shall exclude the impact of renewable energy systems such as Solar PV. These systems will be evaluated separately with the net cost added to the C-PACE financing amount previously determined.

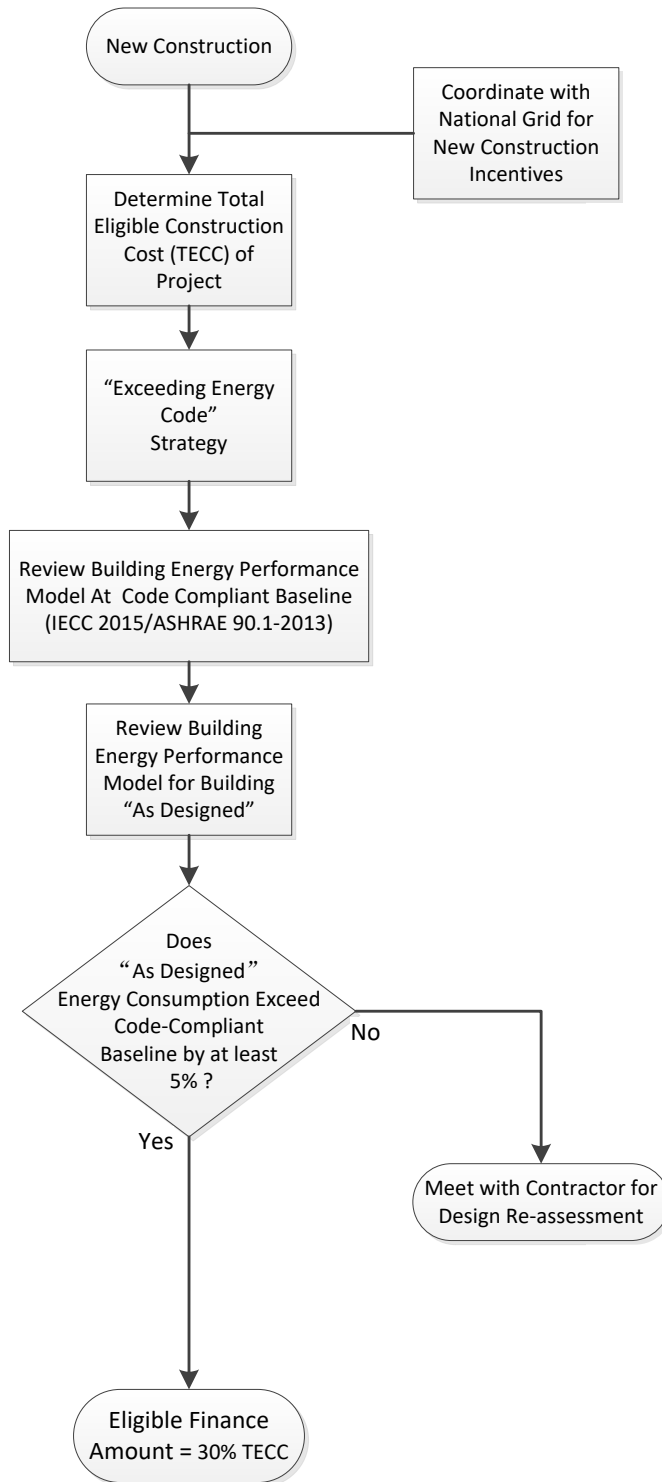
The maximum C-PACE finance amount eligible for a project will be determined by the Program Administrator after review of the projected energy savings and the exceedance above energy code compliance. In view of the complexity of new construction projects, all new construction projects seeking C-PACE financing should be reviewed with the Program Administrator prior to application submittal. From time to time, the RI C-PACE program reserves the right to review the C-PACE new construction guidelines and should a project developer, capital provider or owner request an exception to the current new construction guidelines, the RI C-PACE program will review the request to determine the maximum C-PACE financing available.

The following flowchart illustrates the new construction methodology during the period that the IECC 2015/ASHRAE 90.1-2013 remains the RI state energy code, i.e., serves as the baseline code:

---

<sup>10</sup> This is also the case where an abandoned building is being rehabilitated or a building is being fundamentally repurposed, such as from a warehouse to an industrial facility or to multi-tenant office or multifamily. Consequently, such rehabilitation or repurposing will be treated the same as new construction for purposes of C-PACE financing.

**Flow Chart: New Construction C-PACE Financing  
(IECC 2015/ASHRAE 90.1-2013 as the Baseline Code)**



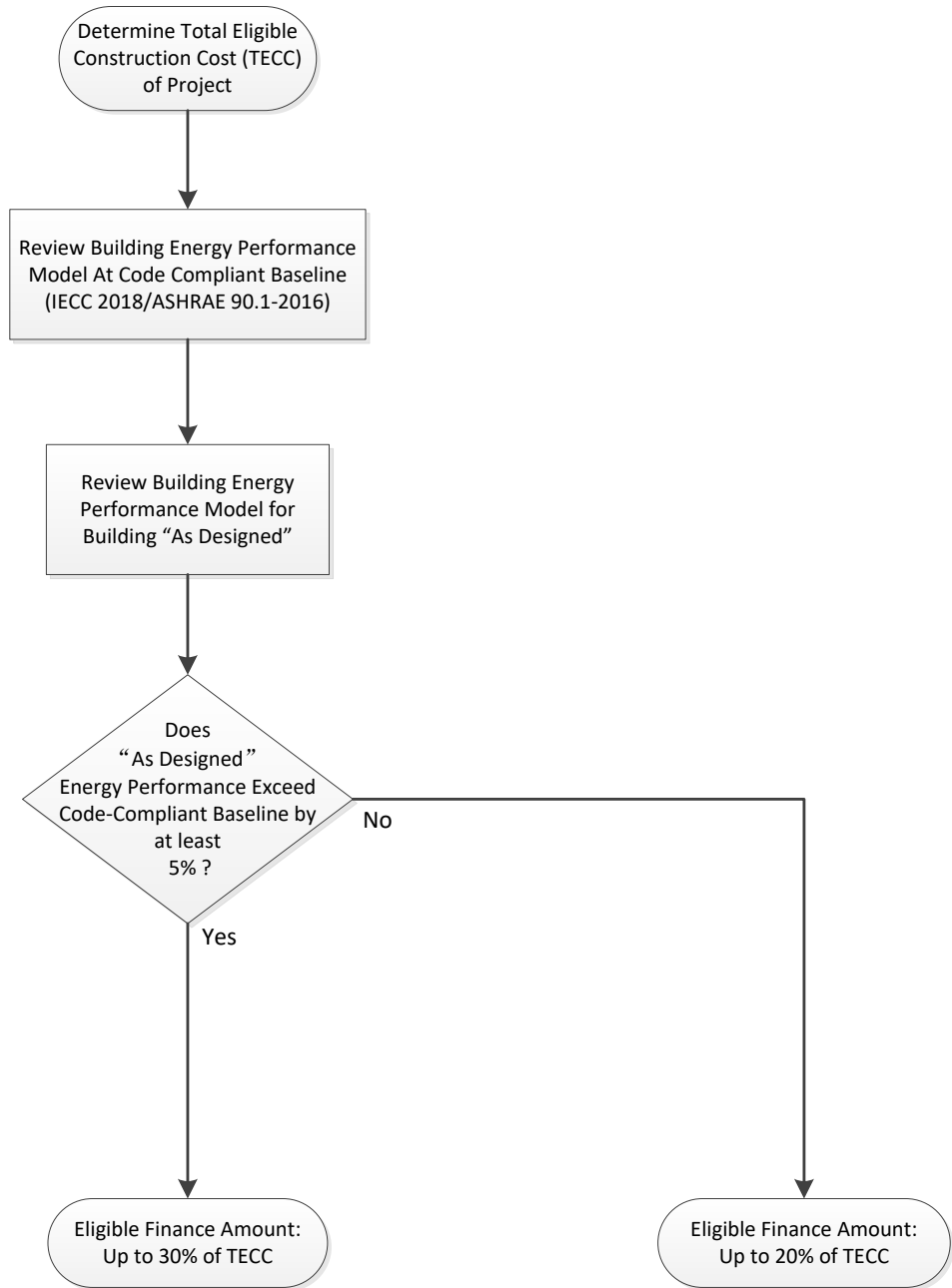
TECC = Total Eligible Construction Cost



In anticipation of the State of Rhode Island adopting the proposed IECC 2018/ASHRAE 90.1-2016 as its new commercial building code in 2020, the following new construction C-PACE financing guidelines will be in effect upon such adoption.

- Following adoption of IECC 2018/ASHRAE 90.1-2016 as the new commercial building energy code, new construction projects that submit building structure permits to the respective building department will be reviewed for C-PACE financing eligibility according to the following process:
  - Projects that demonstrate As Designed Modeled Energy Performance (EUI) that meets IECC 2018/ASHRAE 90.1-2016 can qualify for C-PACE financing in an amount up to 20 percent of the TECC.
  - Projects that demonstrate As Designed Modeled Energy Performance (EUI) that exceeds IECC 2018/ASHRAE 90.1-2016 by at least 5 percent can qualify for C-PACE financing in an amount up to 30 percent of the TECC.

**Flow Chart: New Construction C-PACE Financing  
(IECC 2018/ASHRAE 90.1-2016 as the Baseline Code)**



TECC = Total Eligible Construction Cost

## **D. Local Government Eligibility and Participation**

The RI C-PACE program requires that each Rhode Island city and town wishing to participate in the RI C-PACE program must adopt a resolution authorizing the RIIB to establish and administer the RI C-PACE program within their jurisdiction. In addition, the resolution must authorize the city or town to enter into the RIIB-City and Town Participation Agreement. Projects are not eligible for RI C-PACE financing unless their host municipality has opted into the RI C-PACE program in accordance with this section and Chapter 39-26.5 of the Rhode Island General Laws.

Cities and towns are encouraged to educate property owners and other stakeholders on the economic development, energy and environmental benefits of RI C-PACE.

### **Participation**

City and town governments will be required to “opt-in” to the RI C-PACE program prior to becoming eligible. Once that process is complete, the ongoing role of the city or town government is then two-fold:

1. Receive notice from RIIB that a RI C-PACE project financing is closed, record the appropriate assessment(s) in city or town land records and notify the RIIB of recordation.
2. Act as a conduit between the RI C-PACE outreach, education and marketing team and local city and town departments such as offices of economic development, land use, sustainability, etc.

The RI C-PACE program is designed to leverage the existing city and town tax and municipal fee collection process to the greatest extent possible. However, variations in tax collection practices from city/town to city/town may require customization of the basic process.

## **E. Property Owner Eligibility and Participation**

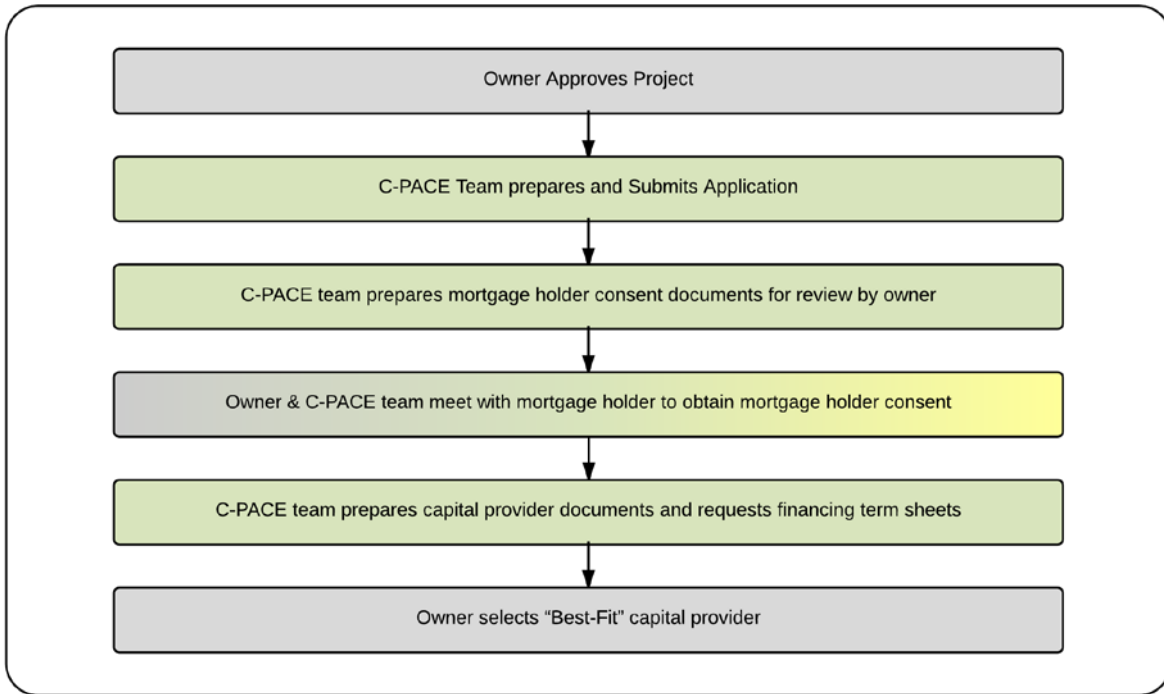
### **Eligibility**

Property owners eligible to participate include individuals, business entities (such as corporations, partnerships, limited liability companies and cooperatives) and non-profit companies.

### **Participation**

The process flow for a typical RI C-PACE project lifecycle is as specified in the charts below. Note that property owners may elect to proceed directly to a final application if they have identified a contractor and obtained mortgage holder consent (or if the property is not burdened by a mortgage).

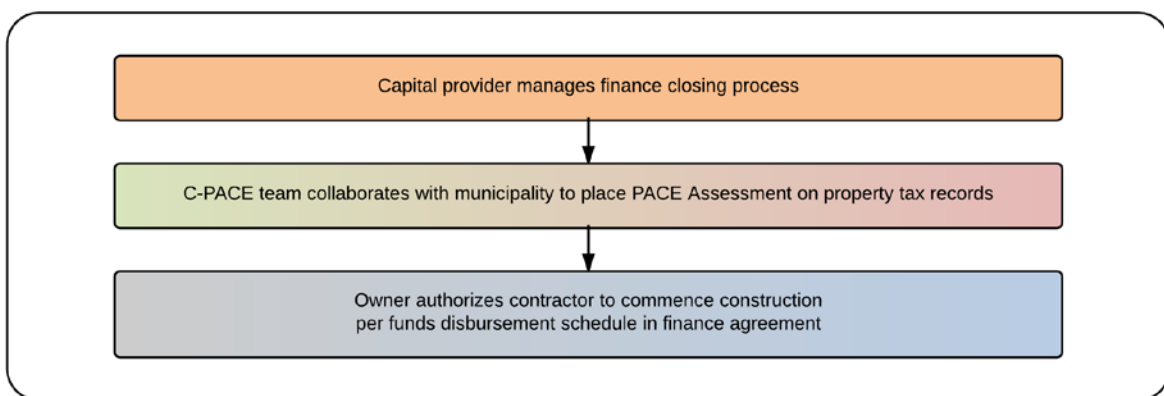
### Flow Chart: Owner Approval / Capital Provider Selection



**Legend:**



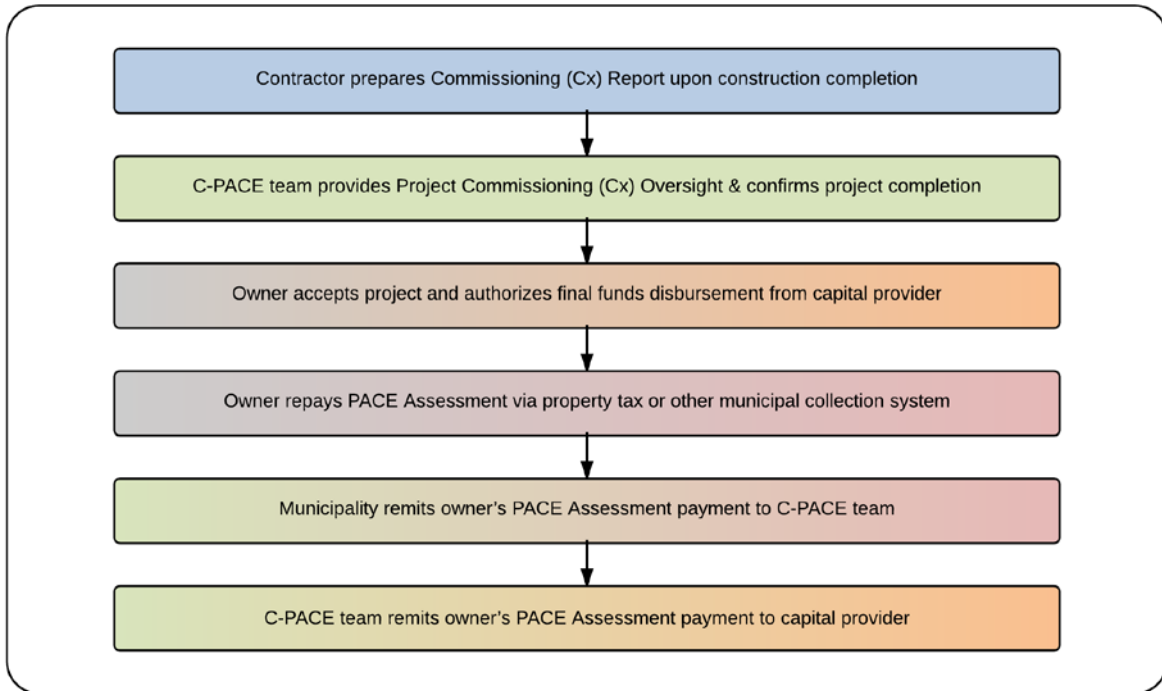
### Flow Chart: Finance Closing / Assessment Placement / Construction



**Legend:**



## Flow Chart: Post Construction Commissioning / Assessment Repayment



**Legend:**



It is recommended that program applicants begin working with the PA as early in the process as possible due to the fact that multiple parties must align in order to produce a fully approved application. The RI C-PACE application process is split into two steps: Initial Application and Final Application.

### **1. Initial Application**

Step 1 is a streamlined process whereby project developers and property owners can indicate their interest in participating in the RI C-PACE program, submit preliminary details about the project and ensure that all intended participating parties have begun the process of becoming eligible under the RI C-PACE program. By making intentions known to the PA, potential issues with the final application process can be addressed early. Those who have submitted a qualified project through the initial application process will obtain a conditional project approval. Full approval and project funding will be dependent upon approval of documentation required in Step 2.

### **2. Final Application**

Step 2 represents the final project application. This is a more detailed process that requires the property owner to complete all RI C-PACE related project planning and application tasks not completed in Step 1. The PA will review the completed Final Application form and related materials within 10 business days of their receipt to determine if eligibility requirements have been met. Any incomplete, missing or incorrectly filled out application materials will result in delay of the approval process. The RI C-PACE PA will work with project applicants to answer questions and assist with the application process when needed.

### **3. Tasks, deadlines and sample project timeline**

There are three major tasks that must be completed once the initial approval has been provided and prior to the approval of the final application. Ensuring that these tasks are completed by project deadlines is critical to the timeliness of the final project approval and full participation in the RI C-PACE program.

The following table provides a list of the major tasks and the timeline of the conditional approval associated with them.

<b>Task</b>	<b>Description</b>	<b>Estimated Administration Review Time</b>
Ensure eligibility of all parties to be involved (part of pre-approval process).	Ensure that contractor, capital provider and local jurisdiction have all completed eligibility requirements.	5-7 business days from receipt date of pre-approval application
Ensure full project eligibility through initial application.	If this hasn't already been done, submit and gain initial approval for project eligibility.	3-5 business days from receipt date of initial application
Existing mortgage holder acknowledgement/consent.	Obtain written consent from all existing mortgage or lien holders on the property for participation in the program.	Largely dependent upon property owner. 1-2 business days from receipt date of completed mortgage holder consent by administrator
Project lender intent to participate and transaction documents.	Secure investor commitment letter from eligible project lender.	3-5 business days from receipt date of signed commitment letter
Submit final application.	Submit final application with all tasks and necessary approvals completed.	1-3 weeks from receipt date of final application

#### **4. Funding**

Once receiving mortgage holder consent, the project can move forward with execution of the financing agreement. By this point, RIIB and/or the capital provider should have prepared initial drafts of these documents. The draft documents provide the starting basis for completing specific transactions, and are available for distribution to prospective investors and owners upon request. Upon city/town confirmation of the recording of the benefit assessment, funding can be disbursed for the project in accordance with the terms of the financing agreement.

#### **5. Disbursements**

As part of the project application, the owner (project applicant) will submit an estimated project completion date. The project applicant must notify the PA if an extension on the project timeline is required.

Once full project approval has been obtained, the owner will submit a final project completion deadline i.e., meaning all the improvements listed in the application documents will have been installed and the

project has been satisfactorily commissioned. The property owner must use the contractor that the PA program has approved for the work.

## **6. Progress Payments**

For larger projects or those that will be constructed in phases, some contractors may require that disbursements be made over time, based on achieving certain milestones. In such a case, the capital provider will specify the documents and certifications needed to trigger the next disbursement. Such documents and certifications must also be provided to the PA.

In cases where project funding includes progress payments, although the property owner and/or its contractors will not have received all of the funds, interest on the full RI C-PACE assessment amount will begin accruing at the initial closing of the RI C-PACE transaction.

## **7. Program Participation Expiration**

Once the RI C-PACE program accepts an application, the approval will be effective for the duration of the project completion timeline that is submitted to the PA. Property owners that receive approval must have a qualified contractor complete installation of the authorized improvements on the subject property and complete financing arrangements within this period. If a property owner fails to have a qualified contractor complete the installation of authorized improvements on the subject property within the reservation period, the approval will expire. Property owners may request to extend program approvals. However, an extension fee may be required, at the discretion of the RIIB.

An applicant may cancel a project approval in writing during the project completion timeline period, but will forfeit any application fee paid and the opportunity to receive funding under that approval. The applicant may reapply but will not be guaranteed funding availability and may have to pay another application fee.

## **8. Change of Contractor**

Program applicants who wish to change or bring on additional contractors after application approval may do so with approval from the PA.

## **9. Change Orders**

Recognizing that change orders are relatively common during the construction process, project applicants are only required to submit a change order to the PA for approval if the changes significantly alter an already approved measure or otherwise may affect the energy consumption of the building. The PA should be consulted if the program applicant is unsure if a change order should be submitted.

Change orders that result in a change to the total funded cost will be handled on a case-by-case basis. While projects cannot anticipate an overrun on budget, program applicants should keep the PA well apprised of potential or actual changes in project scope, project budget, and project timeline.



## **F. Contractor Eligibility and Participation**

### **Eligibility**

For the purposes of RI C-PACE, “Contractor” is defined as any agent, employee or subcontractor thereof who is performing work required for installation of eligible measures, or program compliance on behalf of a RI C-PACE participating property owner or investor. “Contractor” can include individuals or companies performing installations and other work associated with projects as well as those individuals or companies performing commission or other forms of project verification required through RI C-PACE.

The RI C-PACE program requires that contractors be registered with the program. Contractors must meet all RI State licensing and registration requirements to be eligible to participate in the RI C-PACE program. To become a registered contractor, the contractor must complete and submit a Contractor Registration Application to the Program Administrator (PA) which can be found on the RI C-PACE program website. The PA and RIIB have the discretion to approve and deny contractor applications based upon review of the information in the Contractor Registration Application. The RI C-PACE program will maintain a list of registered contractors on the RI C-PACE website. Contractors who have been approved as registered RI C-PACE Contractors will remain on the RI C-PACE registered contractor list for three years from the date they become qualified and be re-enrolled if in good standing after the initial three-year period. RIIB reserves the right to disqualify contractors if they are found to be in violation of any of the standards set forth in the RI C-PACE Program Guidelines or for any other reason that the RIIB finds to be in violation of good practices of the RI C-PACE program.

The Contractor Registration Application will include the following information, but not be limited to:

1. Company Name and Contact Information
2. Company Services such as the types of energy efficiency or clean energy services the company provides
3. State and local licenses, registrations, and certifications including the license / registration / certificate name, number and expiration date
4. Staff resumes
5. References

To become registered, a contractor will be required to complete and submit the RI C-PACE Contractor Registration application. The application can be found at: <http://ri-pace.com/resources/>.

In the case that a non-registered contractor brings a project to the RI C-PACE program, the PA will work with the contractor to become registered and not delay the project application.

## Participation

Contractors are an integral link in the chain that makes RI C-PACE a successful program. Registered Contractor registration will be accepted on a rolling basis. Contractors whose applications are accepted will be listed as a registered contractor on the RI C-PACE website.

Contractors must currently have or obtain all necessary local and state building permits that are required by law to complete the proposed scope of work.

## G. Capital Provider Eligibility and Participation

### Eligibility

RI C-PACE does not work exclusively with any single capital provider, but instead, seeks to stimulate the market through an open model under which any qualified capital provider may participate and fund eligible projects.

In order to participate in RI C-PACE, capital providers must meet eligibility criteria set forth by the RIIB's Board of Directors. RI C-PACE will solicit capital providers through a RI C-PACE Investor Approval Application. RI C-PACE Investor Approval Applications will be accepted on a rolling basis and approved capital providers will be listed on the RI C-PACE website. The RI C-PACE program reserves the right to remove capital providers from the pre-approval list if they are found to be in violation of any of the standards set forth in the Program Guidelines, or for any other reason that the RIIB finds to be in violation of good practices of the RI C-PACE program.

To become a RI C-PACE participating capital provider, a capital provider will be required to complete and submit the RI C-PACE Investor Approval Application to the RI C-PACE administrator.

### Participation

RI C-PACE has been designed with an "open source capital model" that allows for any qualified capital provider to participate in funding eligible RI C-PACE projects. The RI C-PACE Investor Approval Application describes the steps that a capital provider must follow in order to become a qualified RI C-PACE capital provider.

Approved capital providers may choose to have their contact information listed on the RI C-PACE website, which could be an opportunity to source additional projects. Projects that come to the PA without a dedicated capital provider will be presented to the pool of pre-qualified capital providers for their consideration.

For more information on becoming an approved capital provider, see the previous section title "Eligible Capital Providers."

It is expected that once approved, capital providers will participate in the program in one of two ways:

1. Work with contractors to underwrite projects that contractors bring to the capital provider and support the project applicant in preparing its application to the PA for RI C-PACE program approval.

2. In some instances, projects may apply to the PA for approval but will not have a dedicated capital provider associated with the project. In this case, capital providers may review pre-approved projects submitted to the PA and contact the property owner or appropriate contractor if they are interested in funding the project.

### **Section 3: Financing Standards**

#### **A. Financing Structure**

Any qualified capital provider is eligible to provide RI C-PACE financing to property owners for qualified projects. The PA maintains a list of pre-approved capital providers, along with their contact details. All capital providers must be approved by the PA, according to the standards set by RIIB.

Participating property owners should understand the following important features of RI C-PACE financing:

- a) The principal amount will be equal to all project costs that the property owner may choose to finance through the program, which may include costs associated with implementing the project such as permits, audit expenses, closing fees and capitalized interest.
- b) The rate of interest on the financing will be established by the project's capital provider.
- c) Depending on when a project's financing is closed, it may not be possible to start the tax collection process until the following tax roll cycle. Where such delay occurs, the interest payments that the property owner would have paid in the first tax year are capitalized into the principal amount.
- d) The RI C-PACE program is funded by administrative and servicing fees paid by participating property owners. The per project program administration fee can be included in the total financed amount.
- e) Interest on a project begins accruing at the point that the first progress payment is made.
- f) Property owners may reduce the amount borrowed, and thus future payment requirements by putting cash into the transaction to reduce capitalized costs.

#### **B. Financing Term**

The term of RI C-PACE financing will be determined on a project by project basis between the capital provider and the property owner. Such term shall not exceed the weighted average effective useful life of the eligible improvements up to a maximum of 25 years.

#### **C. Security**

The RI C-PACE financing is secured by the special assessment and corresponding lien on the subject property. With the written consent of all mortgage holders on the property and notice provided to all

existing lien holders, the RI C-PACE assessment has priority over all private liens on the property, and is junior in priority to a municipal tax lien. The PACE assessment will be placed on a PACE property owner's property tax or other municipal bill in which the PACE property is located, collected by the PACE municipality and/or third-party entity acting on behalf of the municipality and remit those funds to RIIB to be remitted to the capital provider. The PACE assessment shall be owed by the current owner of the related PACE property as of the time each PACE assessment comes due. In the event of a transfer of ownership, all PACE assessments coming due after the date of the transfer, by foreclosure or otherwise, shall be owned by the transferee. The remedies available to capital providers in the case of a payment default are the same as are available to holders of other special assessments, including penalty interest and, in extreme cases, foreclosure and sale of the property at a tax lien sale.

Upon execution of the Financing Agreement, RIIB will instruct the municipality to place a lien on the qualifying commercial real property to secure payment of the C-PACE assessment.

#### **D. Underwriting Standards**

RIIB requires capital providers to use at minimum, the following factors when determining whether or not to underwrite RI C-PACE projects:

- a) Total property-related debt to property value ratio (total property-related debt includes mortgage debt, the RI C-PACE financing and any other obligations secured by the property). The property value which may be established either (i) as the assessed value of the property, or (ii) its appraised value, as supported by a recent appraisal. In either case, the property's value may include the enhanced value of the property resulting from the installation of the improvements being financed with RI C-PACE.
- b) The property owner has been current on its property tax and assessment payments.
- c) The property owner must not have any involuntary liens, defaults, or judgments applicable to the subject property. A property owner may be able to participate if it can be demonstrated that there is an acceptable reason for the lien, default, or judgment and provide supporting documentation.
- d) The property owner(s) or their affiliated companies have not been a debtor in a bankruptcy.
- e) Cash flow generated by the property.

RIIB will review each capital provider's underwriting standards in the RI C-PACE Investor Approval Application.

#### **E. Financing Costs and Interest Rates**

The applicable interest rate and associated origination fees will be set by the capital provider. RIIB is allowed to charge an annual administration fee for their cost of program operations, coordination with and collection processing from cities and towns.

**F. Notice and Mortgage Holder Consent**

Rhode Island General Laws Chapter 39-26.5 and RIIB regulations require that commercial property owners provide notice to all existing lienholders prior to the placing of the lien and to receive the consent of all holders of mortgages or deeds of trust on the property prior to the recording of the RI C-PACE assessment lien, which, with such consent, will be senior in priority to all commercial mortgages on the property.

**G. Transfer or Resale of the Subject Property**

If the property is sold prior to the end of the agreed-upon special assessment period, the new owner will assume the RI C-PACE assessment obligation, unless otherwise negotiated. Ownership of any authorized improvements on the subject property will transfer to the new owner at the close of the real estate sale. Authorized improvements financed through the program may not be removed from the property until the RI C-PACE assessment has been fully repaid. Program participants agree to make all legally required disclosures about the existence of the special RI C-PACE assessment lien on the property in connection with any sale.

**H. Other Assessment Terms and Conditions**

It is expected that project investors (capital providers) will require projects to sign off on yield maintenance, or prepayment penalties, in order to protect their investment. This is an arrangement that is between the property owner and the project investor.

**I. Program Fees**

RI C-PACE is designed to be a self-sustaining program. Program fees charged to program applicants will be sufficient to cover the costs associated with administering the program, while still allowing for attractive overall costs associated with RI C-PACE participation.

The RI C-PACE program will assign a program administration and servicing fee to each project at the time of project financing. The fees will be set by the RIIB Board of Directors and be reviewed, at least, annually. Project financing costs and interest rates will be set by the applicant's capital provider.

Program Administration Fee: 2.5% of the project amount financed, not to exceed \$75,000 per project. The RI C-PACE program reserves the right to require a \$1,000 non-refundable deposit to be paid by the applicant prior to the commencement of the project eligibility and quality assurance review process.

Servicing Fee: \$300 annual servicing fee.

**J. Interaction with Other Incentives**

RI C-PACE financing is fully compatible with other state and federal incentive programs such as tax credits, accelerated depreciation and utility rebates. RIIB encourages applicants to apply for all federal, state, local and utility incentives that are available for their projects.

## **Section 4: Payment Process**

### **A. How funds are billed and collected**

Repayment of RI C-PACE assessment financing is made via payments on the RI C-PACE assessment bill. RIIB has retained Vision Government Services Inc. (Vision) to provide the program with centralized billing and collection services of C-PACE assessments to the municipalities. The municipality, acting by and through Vision, shall bill C-PACE assessments in the same manner as it bills its real property taxes or other municipal assessments. The C-PACE assessment shall be a separate bill and shall be due on dates mutually agreeable to the RIIB and the municipality.

### **B. How funds are disbursed to investors**

Each city and town that participates in RI C-PACE has agreed to allow Vision to collect the RI C-PACE assessments on behalf of the municipality from participating property owners via the C-PACE centralized billing and collection process. Vision will remit those funds to the RIIB (or its designated fiduciary) for distribution to capital providers.

### **C. Default and exercise of remedies**

Property owners should be aware that any failure to make a payment on a RI C-PACE assessment will give rise to the same consequences as a failure to pay other municipal assessments, which could include penalty interest and fees.

## **Section 5: Disclaimers; Other Program Requirements**

### **A. Changes in the Program Terms; Severability**

RIIB reserves the right to change this Program Guide and terms and provisions set forth within at any time without notice; however, no such change will affect the obligation to pay special assessments for approved RI C-PACE financings. Participation in the program will be subject to the Program Guide in effect.

If any provision of this Program Guide is determined to be unlawful, void, or for any reason unenforceable, removal or invalidity of that provision shall be deemed severable from this Program Guide and shall not affect the validity and enforceability of any remaining provisions.

It is the property owner's responsibility to confirm that he/she has the most recent version of Program Documents. The property owner may satisfy this responsibility by checking the documents on the RIIB website or by calling the Program Administrator.

### **B. Disclosure of Property Owner Information**

Property owners must agree to allow the RIIB to disclose personal/corporate information submitted as part of the program to the PA. They also must agree that the RIIB Board and the PA may disclose the property owner's information to third parties when such disclosure is essential to the conduct of RIIB's business. This disclosure also may be necessary to provide services to the property owner, including but not limited to where such disclosure is necessary to (i) comply with the law, legal process or regulators, and (ii) enable RIIB or the PA's employees or consultants to provide services to the property owner or to otherwise perform their duties. The program will not provide property owner information to third parties for telemarketing, email or direct mail solicitation.

All property owner information obtained is treated with great care in order to protect privacy and security.

### **C. Fraud**

Giving materially false, misleading or inaccurate information or statements to the Board, the PA or any of their employees and agents (or failing to provide the Board with material information) in connection with an application is punishable by law. Material representations include, but are not limited to, representations concerning the project costs, ownership structure and financial information relating to the property and the applicant.

### **D. Exceptions to these Terms and Provisions**

The RIIB may make exceptions to the terms and provisions detailed in this handbook where there is a finding that such exception furthers the goals and objectives of RI C-PACE and the RIIB. Consideration of an exception request from a property owner may involve payment of an application fee or other fees.

**E. Changes in State and Federal Law**

The RIIB's ability to operate the program is subject to a variety of state and federal laws. If those laws or the judicial interpretation thereof were to change after the filing of the application for funding, the program's ability to issue the contemplated RI C-PACE funding may be impaired.