

# C-PACER for Washington State

## Enabling Counties To Spur Funding For Commercial Energy Efficiency, Renewable Energy, And Resilience Projects

In 2020, Washington State passed legislation that allows counties to establish **Commercial Property Assessed Clean Energy and Resilience (C-PACER)** programs. As of May 2022, six counties in Washington have established C-PACER programs, representing some of the most populous areas of the state, and the first C-PACER transaction was made earlier in 2022 (see back).

Creating a C-PACER program is simple: a county adopts an ordinance and documents that govern how the C-PACER program works. The repayment of C-PACER financing is between a private lender and a property owner; a county only records the agreement. Program implementation can be limited or extensive, as suits a county's needs.

Shift Zero has worked with experts to create model documents for counties to adopt for their local C-PACER programs. To review these or learn more, visit [shiftzero.org/pace](https://shiftzero.org/pace).

### What is C-PACER Financing?

More than 20 states have Property Assessed Clean Energy (C-PACE) financing programs for commercial and large multifamily buildings. This approach to financing can reduce barriers for owners seeking to improve their buildings. Upgrade costs are tied to the property, rather than the owner, which can allow for longer term and lower cost financing that does not impact the owner's debt to equity ratio.

Washington State's legislation includes *resilience improvements*, adding a "R" is to the popular acronym to make **C-PACER**. In addition to clean energy improvements, water conservation and resiliency improvements—including seismic retrofits fire protection, or flood readiness—also qualify for this financing.



### How does C-PACER work?

Counties can now establish local C-PACER programs. A C-PACER program sets up a unique mechanism in which private lenders make loans to building owners that can be more favorable than conventional loans.

Financing for qualifying improvements is secured on the property, rather than with the owner, so the repayment obligation stays with the property if it is sold. With permission from any other lenders, the C-PACER financing is senior to other liens on the property, excepting any state or local property taxes. These special features are allowed since the improvements eligible for financing are in the public interest, as designated in the law.

C-PACER financing makes it attractive for building owners to consider and implement long-term building investments in efficiency, clean energy, and resilience. Eligible properties include existing and new commercial, industrial, and non-profit buildings, as well as multi-family buildings with over four living units.

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### Example C-PACER Scenario

C-PACER programs help building owners save money through lower utility bills; spur economic activity by making building improvements easier to finance; and help communities meet climate goals by creating more clean energy projects and ensure public safety by addressing issues like unreinforced masonry buildings.

For example, an owner of a 50-unit apartment building with high utility bills adds insulation, seals air leaks, replaces lighting and windows, updates an old boiler with high efficiency equipment, adds water saving features, and installs a solar array on the roof.

- After checking on program details with the county or C-PACER program administrator, the owner engages a participating lender to set up the financing.
- The contractor implementing the upgrades has new work for employees or subcontractors.
- The owner has no cash upfront and sees a positive impact to their net operating income.
- The next year, the owner sells the building for a higher value as a result of the upgrade. The new owner continues to repay the assessment and reap the benefits of lower energy use and a more valuable asset.

### Early Success

In February 2022, the first C-PACER transaction in Washington was announced at the historic Lodge at St. Edward State Park in Kenmore, King County, WA. C-PACER allowed for a \$19 million in financing from Petros PACE Finance, LLC for key improvements at the former seminary-turned-hotel.

"The C-PACER financing was instrumental in making it possible for energy related improvements and updated HVAC systems. It helped to preserve the historic building through a new reuse that enables park users and Lodge guests to enjoy this beautiful building inside and out," said Kevin Daniels, owner of the Lodge and Daniels Real Estate.

### Addressing Local Needs

Counties can set up local C-PACER programs to address a variety of needs, including:

- Washington State requires large commercial buildings to meet energy performance standards. In some cases, meeting these standards will require capital improvements. C-PACER provides a financing mechanism to fund these improvements.
- There are many unreinforced masonry buildings around the state; these buildings are particularly vulnerable in the event of an earthquake. C-PACER allows for long-term financing to fund expensive retrofits like these.
- Other improvements with longer term payback, such as renewable energy or water efficiency, could be facilitated with C-PACER.

### QUESTIONS?

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