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PROGRAM GUIDELINES

Maryland's C-PACE program (MDPACE) is sponsored by the Maryland Clean Energy Center (MCEC) and administered by Abacus Property Solutions, LLC.

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Disclaimers

These C-PACE Program Guidelines ("MDPACE Program Guidelines" or "Guidelines") promulgated by the Maryland C-PACE Program ("MDPACE Program" or "Program") have been prepared for the purpose of describing the requirements, rules, procedures, and fees applicable to the MDPACE Program. From time to time, these Guidelines will be updated based on new information and best practices at the sole discretion of the Program Administrator. However, these Guidelines and all provisions hereof are subject to the provisions of Chapter 441 of the Maryland state statute ("C-PACE Act") as well as of ordinances established by local governments that establish C-PACE financing. In the case of any conflict between the provisions of these Guidelines and the provisions of either the C-PACE Act or local ordinances, the provisions of the C-PACE Act and the local ordinances shall control.

These Program Guidelines are only a reference document and create no legal rights in favor of any property owner, capital provider, contractor, or any other person, nor does it impose any legal duty or obligation on a county or city located in the state of Maryland.

All capitalized terms used in these MDPACE Program Guidelines that are not specifically defined shall have the meanings set forth in Appendix A (Glossary of Terms) of these Program Guidelines. All Glossary terms are bolded when first referenced in these Guidelines.

Executive Summary

The MDPACE Program is offered through the Maryland Clean Energy Center (“MCEC” and “Sponsor”) and its agent, Abacus Property Solutions, LLC (“Abacus” and “Program Administrator”). The MDPACE Program provides a range of services to local governments looking to establish C-PACE in their jurisdiction as well as assists property owners in using C-PACE to upgrade their buildings. The MDPACE Program is a public private partnership between local governments, private property owners and private capital providers. The rules, regulations, and guidance of the MDPACE Program are established through these MDPACE Program Guidelines.

Background on Commercial Property Assessed Clean Energy (C-PACE) Financing

C-PACE financing is an innovative loan program that provides private building owners a low-cost way to install a wide range of sustainable and cost-efficient measures to both new and existing commercial buildings (“Commercial Property”). The loan (“C-PACE Loan”) is privately financed and secured as a special assessment lien (“C-PACE Surcharge” or “Surcharge”) with the equivalent senior lien status of a real property tax assessment and enforced by the local government. This hybrid loan structure allows for loan terms that would otherwise be unavailable to many property owners.

C-PACE was developed as a financing mechanism to facilitate clean energy and resiliency property upgrades. The principal underlying concept of C-PACE is that these improvements have a public benefit, like a sewer or road extension, and therefore can be secured and repaid in the same manner as other government-secured liens.

C-PACE in Maryland

The C-PACE Act was enabled in Maryland through the passage of Senate Bill 186 in 2014, revised in 2016 through House Bill 105, and revised again in 2021 through House Bill 517. Through the C-PACE Act, local governments in Maryland are authorized to create C-PACE programs through the adoption of an ordinance (“Ordinance”) and through an agreement with MCEC (“Commercial Property Assessed Clean Energy (MDPACE) Agreement” or “Clean Energy Agreement”), can become a participating jurisdiction in the MDPACE Program.

In Maryland, a C-PACE Loan can finance a wide variety of projects including energy efficiency, water efficiency, renewable energy, resiliency, and environmental remediation (“Qualifying Projects”) for both existing buildings and new developments. Because a C-PACE Loan is technically a Surcharge, the loan payments (“Surcharge Payments”) are collected each year in the same manner as real property taxes and are listed on the real property tax bill as a separate line item. As a Surcharge, a C-PACE Loan is also non-accelerating, meaning that it transfers automatically to the next property owner if the property is sold during the term of the C-PACE Loan (“Term”). Moreover, any current or past due Surcharge payments can be collected each year while future surcharge payments stay with the property in the event of sale or default. For private lenders, C-PACE Loans provide greater security than conventional

loans because payments are tied to the property tax bill, thus enabling low interest capital to be raised from the private capital markets with no government financing required.

Property Owners benefit from long, fixed rate terms that are based on the useful life of a single improvement or the weighted average life of multiple installed improvements (“**Qualifying Project Improvements**”). Long-term C-PACE Loans lead directly to major property upgrades such as:

- Energy-efficient boilers
- Upgraded insulation
- Flood mitigation
- Solar installations

The Term for a **C-PACE Loan** may not exceed the **Weighted Average Expected Useful Life** of the Qualifying Project Improvements or Expected Useful Life (EUL) of a single Improvement. Examples of benefits from a C-PACE Loan include: improved business cash flow due to lower energy and water costs, a reduction in costs related to business interruption and storm/flood damage, less required owner equity, an increase in the value of the improved Qualifying Property, and achievement of sustainability or environmental, social and governance (ESG) goals.

A C-PACE Loan is secured through a voluntary special assessment on a property (“**Qualifying Property**”). Like property taxes, C-PACE Loans transfer to the next property owner if the Qualifying Property is sold during the term of the C-PACE Loan. The remaining balance of the C-PACE Loan is repaid by the subsequent property owners, who continue to receive the benefits of the Qualifying Project Improvements. The Program Guidelines provide detailed information about the eligibility requirements for participating in the Program.

The C-PACE Loan process requires that a **Property Owner** develop a project (“**Qualifying Project or Project**”) with a **Registered Contractor** and arrange project financing with a qualified Clean Energy Lender (“**Capital Provider**”). Qualifying Projects include: energy efficiency, water efficiency, renewable energy, resiliency, and environmental remediation. The Property Owner and/or Capital Provider then applies online through the to qualify the C-PACE Project for a C-PACE Loan according to the criteria in the Guidelines. If the Project is approved, the jurisdiction (“**County**”), Property Owner, and Capital Provider enter into a three-party joint agreement known as the **Statement of Levy and Lien of Surcharge Agreement** that memorializes the obligations of the parties. The Property Owner and Capital Provider will also execute a separate **Clean Energy Loan Financing Agreement (“Financing Agreement”)** that defines the terms and conditions of the C-PACE Loan. These documents can be found in [Appendix E: Program Documents](#).

The Program relies on private financial institutions to provide capital to fund C-PACE Loans. The Program is open to any Capital Provider interested in participating. Interested financial institutions should contact the C-PACE Program Administrator to become qualified Capital Providers.

1.0 Purpose of Program Guidelines

The purpose of the Program Guidelines is to establish and describe the rules governing the MDPACE program.

In this document you can find information about:

- Statutory and programmatic eligibility requirements for C-PACE properties and projects in Maryland
- List of participating jurisdictions in MD-PACE
- Approval, closing, recording, and servicing process of C-PACE Loan
- Process to become a Registered Contractor, **Technical Reviewer** or Capital Provider
- Common Qualifying Project Improvements
- C-PACE Loan Checklist
- Links for all required documentations

2.0 Program Administration

The MDPACE Program is sponsored by the Maryland Clean Energy Center and administered by Abacus Property Solutions. MDPACE is a turnkey, open-market C-PACE program offered statewide available at no cost to jurisdictions that choose to participate. A major benefit to having a program offered statewide is that it allows counties, property owners, contractors, and lenders that are participants in the C-PACE market to adhere to a standardized set of rules across county lines that enables scale and lower administrative costs. Participating counties in the MDPACE program have passed an Ordinance and opted into MDPACE through entering an agreement with MCEC.

2.1 Maryland Clean Energy Center

MDPACE is sponsored by MCEC, an instrumentality of the state created with an economic development mission. The mission of MCEC is to advance the adoption of clean energy solutions along with energy efficiency products, services, and technologies to help create jobs. MCEC works to leverage private sector investment to implement public sector energy goals to enable homeowners and businesses, as well as institutional and municipal consumers to reduce their energy costs.

2.2 Abacus Property Solutions

Through a competitive procurement process, MCEC selected Abacus to administer the Program. Abacus is a small, woman-owned business with national expertise in the design, development and administration of C-PACE programs and projects. As the administrator for the MDPACE Program,

Abacus ensures that Projects are eligible for a C-PACE Loan under the C-PACE Act, the local Ordinance, and these Guidelines and submits each C-PACE Project to the County for final approval.

Abacus works with Maryland Counties to:

- Pass enabling legislation for C-PACE financing
- Intake, review, and approve applications
- Facilitate closing of C-PACE Loans
- Register and train contractors and capital providers
- Provide marketing, outreach, and education on the Program
- Servicing the C-PACE Loans including facilitate billing, collections, and remittance of Surcharge Payments

2.3 Contact information

Website: <http://www.md-pace.com/>

Email: info@md-pace.com

Phone: 301-660-4718

2.4 Key Billing and Collection Dates

2.4.1 Real Property Tax Billing Date

The County billing date of the Surcharge is typically July 1, and occurs on an annual or semi-annual basis.

2.4.2 Collection of Surcharge Payment

The County collection date of the Surcharge is typically September 30, occurring on an annual basis or September 30, and December 31, if collected on an annual basis.

2.4.3 Surcharge Payment Billing Notification

Capital Providers must notify the Program Administrator at least 30 days prior to the date in which the Program Administrator must provide notice to the County to commence billing of the Property's Surcharge Payment through the Real Property tax bill. This date is typically April 25, of the year in which the billing is to occur.

2.4.4 Amendment of Lien

The Capital Provider must notify the Program Administrator at least 75 days prior to prior to the local government billing of the Property's Surcharge Payment through the Real Property Tax bill.

Note: County billing and collection dates can be found in [Appendix F: Supplemental Information](#).

2.5 Key Responsibilities by Stakeholder

Property Owner

- Provide all information in the MDPACE Approval Checklist (See [Appendix D: Checklists](#)) to the Program Administrator including signing/executing the following:
 - Execute the Statement of Levy and Lien of Surcharge Agreement (SLL) with the Capital Provider and the County
 - Execute the Financing Agreement with the Capital Provider
 - Sign the Final Application
 - Sign the Project Information Request
 - Notice of Proposed C-PACE Surcharge
 - Sign the Disclosures and Risks
 - Sign the Borrower Affidavit
 - Sign the Completion Certificate when the Project is complete

Capital Provider

- Assist Property Owner in gathering information in MDPACE Approval Checklist and execute the following documents:
 - Execute the MDPACE Standard Offer with MCEC once for the MDPACE Program
 - Execute the Surcharge Processing Agreement with MCEC for each transaction
 - Execute the Statement of Levy and Lien of Surcharge Agreement (SLL) with the Property Owner and the applicable County for each transaction
 - Execute a Financing Agreement with the Property Owner

County

- Collaborate with MCEC and Abacus in outreach and executing the following documents:
 - Adopt enabling Ordinance to join the MDPACE Program or amend existing Ordinance
 - Execute the Clean Energy Agreement with MCEC
 - Execute the SLL for each transaction with the Property Owner and the Capital Provider

MCEC (Sponsor)

- Liaison with Counties for onboarding and strategic outreach and execute the following documents:
 - Execute the Administrative Agreement with a County
 - Execute the Surcharge Processing Agreement with Capital Provider for each transaction
 - Execute the MDPACE Standard Offer with Capital Provider once for the MDPACE Program

Abacus (Program Administrator)

- Provide all key program administration functions listed under Section 2.2 including:
 - Liaison with Counties to work to pass enabling ordinances and onboarding Counties
 - Collaborate with Counties on economic development opportunities
 - Intake, review, and approve C-PACE Loan applications
 - Facilitate closing of C-PACE Loans
 - Register and train contractors and capital providers

- Provide marketing, outreach, and education on the Program to all stakeholders
- Servicing the C-PACE Loans including facilitate billing, collections, and remittance of C-PACE Loan Payments

Please note that all Program Documents including Programmatic and Transactional Documents can be found in [Appendix E: Program Documents](#).

3.0 Eligibility Requirements

3.1 State Statutory Requirements

The Maryland C-PACE statute requires that interested counties pass enabling legislation to enable C-PACE in their jurisdiction. Full text for the legislation is here:

http://mgaleg.maryland.gov/2021RS/Chapters_noln/CH_441_hb0517e.pdf

3.2 Local Statutory Requirements

Counties must pass an Ordinance substantially similar to a form of the **MDPACE County Ordinance** (See [Appendix E: Program Documents](#)) to implement the C-PACE program. To be eligible to participate in the Program, a county must also execute the Clean Energy Agreement with MCEC. Once a participating jurisdiction, MCEC and its Agent, Abacus will be responsible for ensuring that all C-PACE applications meet the local statutory requirements for project eligibility as set forth in an Ordinance.

3.3 Qualifying Property

3.3.1 Property Types

C-PACE Financing is available to all types of commercial properties that meet the [Maryland SDAT classifications](#). Qualifying property types include, but are not limited to: office, industrial, retail, multifamily properties with more than four single family dwelling units, hospitality, healthcare, agricultural and other specialty commercial uses. Properties such as nonprofits that are otherwise exempt from real estate taxation are eligible to participate, as long as they have a real property tax identification number in SDAT. The Program does not authorize the placement of C-PACE Surcharges on a property owned by a local, state, or federal government other than ground leases under certain circumstances.

3.3.2 Property Location

To be eligible, the property to be improved must be assessable **Real Property** located within the territorial limits of the county or City of Baltimore and must have a property tax or assessment identification number. Assessable real property includes both currently improved (with a building or structure) or unimproved real property.

3.3.3 Multiple Parcels

Properties with multiple tax maps or parcel identification numbers are eligible if all the lots, blocks, tracts, and parcels of land are located within an area enabled in the MDPACE Program. If a Project extends across multiple parcels, the Surcharge will be apportioned across those parcels according to square footage. The following application materials must be submitted separately for each parcel:

- Property card
- Tax history
- Title report or commitment if a single title report or commitment is not able to clarify property history for each parcel
- Any other application document if the property addresses or owners differ per parcel

The Program Administrator reserves the right to deny applications for properties with multiple parcel identification numbers if any of the parcels is ineligible to participate in the Program.

3.3.4 Ground Leases

On ground-leased property, the Surcharge encumbers the fee interest in the Qualifying Property, not the leasehold interest which contains the Qualifying Project Improvements. To qualify, the following conditions must be satisfied:

- The term of the ground lease must exceed the Term of the C-PACE Loan
- The Property Owner with 100% ownership of the Qualifying Property must be the applicant for the C-PACE Loan, executing the Statement of Levy and Lien of Surcharge Agreement and Clean Energy Loan Financing Agreement
- The applicant who owns the leasehold interest with the Qualifying Project Improvements must obtain the written consent for the C-PACE Loan from the Property Owner with 100% ownership in the Qualifying Property

3.4 Qualifying Projects

3.4.1 Construction Status

C-PACE Loans are available for improvements to both existing buildings, adaptive reuse and new construction projects.

3.4.2 Real Property

Qualifying Project Improvements must be permanently affixed to the Real Property and remain permanently affixed to the Real Property per the terms and conditions of the Clean Energy Loan Financing Agreement.

3.4.3 Loan Underwriting Parameters

MDPACE has established general loan underwriting parameters for the Program. Any deviations from these parameters that have been legislated at the local level are delineated in the MDPACE County Matrix ([See Appendix F: Supplemental information](#)). This Matrix will be updated on an ongoing basis as Counties adopt the new Programmatic Documents. Appendix F contains a description of how to qualify for a C-PACE Loan in counties that have a Savings to Investment Ratio (SIR).

3.4.3.1 C-PACE Loan Amount

A C-PACE Loan must be equal to or less than the amount of the **Qualifying Project Costs**.

3.4.3.2 C-PACE Loan Amount Thresholds

There is no minimum or maximum loan amount per the state statute. The minimum C-PACE Loan amount established by the Program is \$50,000 with no maximum threshold other than stipulated under 3.4.3.3 below.

3.4.3.3 C-PACE Loan to Value Thresholds

The C-PACE Loan Amount, when combined with existing mortgage and other lien obligations, shall not exceed a 100% combined loan-to-value (CLTV) ratio to the assessed or market value of the Property, whichever is greater. Exceptions to CLTV limits shall be considered on a case-by-case basis by the Program Administrator. There is no maximum C-PACE only loan-to-value ratio requirement.

3.4.3.4 Determination of Value

The Property value must be determined for both taxable and tax-exempt properties. Determination of property value is a requirement of the Program Administrator and typically a requirement of the Capital Provider. There are four ways to calculate value of a property acceptable by the Program Administrator:

1. Assessed Value as determined by the Land Records
2. Appraisal prepared by an independent real estate appraisal firm within 18 months of submission of the Final Application unless exception is granted by the Program Administrator
3. Automate Valuation Method
4. Insurance Value (typically used for smaller projects)

Supporting documentation should be provided for all four valuation methods.

3.4.3.5 Project Term

C-PACE Loan Terms must not exceed the Weighted Average EUL of the proposed Qualifying Project Improvements or the EUL of a single Qualifying Project Improvement as described in **Section 4: Project Analysis Process and Requirements**. For the purposes of this calculation, Qualifying Project Improvements that have a useful life that is difficult to determine according to standard professional methods by the Technical Reviewer will be assumed to have a useful life of 20 years. For the purposes of this calculation, the Weighted Average EUL for all Qualifying Project Improvements will be capped at 35 years with exceptions made on a case-by-case basis.

The Term of the C-PACE Loan begins upon receipt of the Certificate of Occupancy or other evidence that the Qualifying Project Improvements comply substantially with the plans and specifications previously approved by the County.

3.4.3.6 Interest Rates

Both fixed-rate and fixed rates adjusted at periodic intervals are eligible in the Program.

3.4.3.7 Capitalized Interest Periods

C-PACE Loans may be structured to include up to 36 months of capitalized interest payments. Exceptions to this limit will be considered on a case-by-case basis and at the discretion of the Program Administrator.

3.4.3.8 Interest Only Periods

There is no limit on Interest only periods set by the Program Administrator.

3.4.3.9 Loan Amortization

C-PACE Loans must be fully amortized.

3.4.4 C-PACE Project Refinancing

Completed installations of certain C-PACE Projects are eligible for refinancing using C-PACE. C-PACE Projects requesting refinancing must satisfy the same requirements as other C-PACE Projects in terms of eligibility in most cases. See [4.4 C-PACE Project Refinancing](#) for more details.

3.4.5 Mortgage Holder Consent

To receive a C-PACE Loan, the Property Owner must obtain the written consent by the holder of each mortgage or deed of trust lien on the Property prior to **Final Approval** by the Program Administrator. See [Section 8.0 Mortgage Holder Consent](#) for more detail.

3.4.5.1 Consent for HUD-backed Mortgages

Multifamily properties that are subject to a HUD-backed mortgage must receive consent from HUD to access C-PACE financing. The MDPACE program is conditionally approved under HUD C-PACE requirements. For more information, see the [HUD website information](#) or contact info@md-pace.com for more information.

3.5 Qualifying Project Costs

Qualifying Projects Costs or **Project Costs** include all **Hard Costs**, **Ancillary Costs**; and **Soft Costs**. Costs to acquire a Qualifying Property are not Qualifying Project Costs.

3.5.1 Hard Costs

All direct installation/construction contract costs (materials, labor, and overhead) associated with the Project.

3.5.2 Ancillary Costs

Construction costs that are necessary to install a Qualifying Project Improvement. Examples include roof structural improvements necessary to support a roof mounted solar PV array or building electrical upgrades necessary to support an energy efficient HVAC system.

Note: The Project documentation should demonstrate that the Ancillary Costs are necessary for installation of the Qualifying Project Improvement(s).

3.5.3 Soft Costs

Soft costs are indirect costs that are not considered direct construction costs but are necessary to complete the Project. Examples include but are not limited to:

- Project management
- **Closing Fees** (program administration fees)
- Title reports and credit checks
- Financial services (e.g., Capital Provider fee, **Project Developer** fee)
- Legal services (e.g., Property Owner legal, Capital Provider legal)
- Recording taxes and fees, and escrow disbursement fees
- Architectural and engineering costs related to the Project
- Consulting reports (e.g., Technical Review, energy audit, commissioning reports, measurement and verification, feasibility studies, financial projections, surveys)
- Due diligence reports (e.g., appraisal, environmental, physical condition assessments)
- Energy savings performance guaranty or insurance
- Building accreditation(s)
- Permitting fees
- Interest reserves
- Capitalized interest
- Any other closing costs or fees required to complete the Project

If an indirect cost cannot be allocated directly to the installation of a Qualifying Project Improvement (e.g., Mechanical/Engineering/Plumbing (M/E/P) plans that include plans for installation of new lighting fixtures), then the qualifying Soft Cost would be calculated in the same proportion as the proportion of Project Costs to the total construction budget. See example on following page:

M/E/P plans: \$50,000

Qualifying Project Improvements: HVAC and LED lighting (materials, labor, and overhead): \$100,000

Total construction budget: \$500,000

Percentage of Project to total construction budget: 20%

Eligible Soft Costs: \$10,000 (20%)

The Program Administrator has final discretion on eligibility of Qualifying Project Costs.

3.6 Qualifying Project Improvements

Qualifying Project Improvements are energy efficiency, water efficiency, renewable energy devices, resiliency, and environmental remediation measures installed as part of a Qualifying Project. A compendium of Common Qualifying Project Improvements is found in [Appendix B: Common Qualifying Project Improvements](#) as well as on the MDPACE [website](#).

3.6.1 Energy Efficiency

Any measure that results in reduction of consumption of energy over a baseline such as:

- High efficiency lighting
- Heating ventilation air conditioning (HVAC) upgrades
- High efficiency hot water heating systems
- Building shell or envelope improvements including fenestration
- Building energy management systems
- Process equipment upgrades

3.6.2 Water Efficiency

Any measure that results in reduction of consumption of water over a baseline established such as:

- Stormwater runoff mitigation and improved drainage systems
- Water efficiency devices, measures, or systems

3.6.3 Renewable Energy

Any system using renewable resources such as sunlight, wind, or biomass to generate energy to supply such as:

- On-site demand of the Qualifying Property
- Export of electricity to a utility provider
- Sale of the electricity using a Power Purchase Agreement (or similar approved agreement format)
- A combination of the above three options
- Production of clean heat or power by use of a renewable energy resource

Types of renewable energy systems not more 100 kilowatts may include but are not limited to:

- Solar photovoltaic power
- Fiber optic solar
- Solar thermal
- Small wind microturbines
- Combined heat and power
- Geothermal heat pump
- Fuel cells

Note: The Program Administrator may approve other types of renewable energy Project types not listed in the Program Guidelines at its discretion.

3.6.4 Resiliency

A project intended to increase the capacity of a property to withstand natural disasters and the effects of climate change including:

- Flood mitigation project
- Stormwater management project
- Project to increase fire or wind resistance
- Project to increase the capacity of a natural system
- Inundation adaptation project
- Alternative vehicle charging infrastructure
- Energy storage

3.6.5 Environmental Remediation

A project intended to remove environmental or health hazards including:

- Indoor air quality
- Indoor water quality
- Asbestos remediation
- Lead paint removal
- Mold remediation

3.7 Property Owners

The Program is voluntary and available to Property Owners with Qualifying Properties located within a County. Only a Property Owner who voluntarily participates in the Program and owns a property upon which a Surcharge has been levied will have a secured lien imposed against its Qualifying Property.

3.7.1 Statutory Requirements

The state law in Maryland also requires that a County to give due regard to a property owner's ability to repay C-PACE financing under Sections 12-127, 12-311, 12-409.1, 12-925, and 12-1029 of 149 the Commercial Law Article of the Maryland Code. Each jurisdiction's enabling legislation includes related financial requirements of the Property Owner.

3.7.2 Programmatic Requirements

- Be 100% title holder of the Qualifying Property (as reflected in the **Land Records**) or the holder of a qualifying long-term leasehold interest. The Property Owner or the Property Owner's legally authorized representative must sign the Final Application
- Submit evidence that the title of the Qualifying Property is not in dispute prior to recording the **Statement of Levy and Lien of Surcharge Agreement**, as evidenced by a title report certifying the condition of the title, performed, and signed by a title examiner who has been certified by

the Maryland Land Title Association or a title insurance commitment from a title insurance company acceptable to the Capital Provider and the Program Administrator

- Be current in the payment of all obligations secured by the Qualifying Property, including loans secured by mortgages or deed of trust liens on the Qualifying Property, real property taxes, special assessments (including C-PACE Surcharges), special taxes, other tax liens, and/or water or sewer charges;
- Have no judgement lien, or other involuntary liens against the Qualifying Property, including, but not limited to, construction or mechanics liens, judgments against the Property Owner, or eminent domain proceedings
- Have no notices of default or delinquency on property-based debt that have not been cured

The Program Administrator and the Capital Provider may review public records to verify compliance with this requirement.

Note: The [MDPACE Approval Checklist](#) contains required documentation and process for approval including a MDPACE Program Disclosures and Risks that the Property Owner must sign to participate in the Program.

3.7.3 Leasehold

If the applicant has a leasehold interest (in a long-term ground lease), the Property Owner with 100% interest in the Real Property would need to:

- Be a party to the Standard of Levy and Lien of Surcharge Agreement
- Execute a consent to evidence the Property Owner's Consent to the C-PACE Loan and Surcharge on the Qualifying Property during the Term, which will be recorded in the Land Records

3.8 Capital Providers

The Program is an open market, which means borrowers have the flexibility to select their preferred Capital Provider for a Project. A Capital Provider is a lender that finances a C-PACE Loan. The open market model gives Borrower's access to a range of private Capital Providers who offer competitive rates and financing terms and conditions. No exclusivity will be provided to Capital Providers, and Property Owners will retain the right to choose the provider of financing who best suits their business needs. C-PACE Loans are currently financed exclusively by private lenders or financial institutions.

Private lenders and/or financial institutions interested in participating in the MDPACE Program will execute the **MDPACE Standard Offer** with the Program Administrator. The Standard Offer defines the primary terms and conditions for the Program Administrator and Capital Provider, regarding the origination, funding, and administration of C-PACE loans for qualifying commercial properties in counties participating in the MDPACE Program. The Standard Offer includes as exhibits the executable documents among the parties for each C-PACE Loan to evidence the C-PACE Surcharge and lien on

the Property. As a requirement of the Standard Offer, the prospective registered Capital Provider must provide the Program Administrator with either:

1. A copy of the Capital Provider's Financing Agreement that it will execute with property owners so that the Program Administrator can confirm that the Financing Agreement is consistent with the state and local enabling C-PACE laws and the Standard Offer
2. Utilize the provided form of Financing Agreement (Appendix E)

Upon approval by the Program Administrator and completion of a short Capital Provider registration document, the lender will be considered a qualified Capital Provider and be listed on the md-pace.com website.

For each transaction, the Capital Provider will also execute a Surcharge Processing Agreement that defines the terms of a specific transaction. The MDPACE Standard Offer and Form of Surcharge Processing Agreement can be found in the Transactional Documents under Appendix E: Program Documents.

Property Owners may pre-select their preferred lender for the Project. However, prior to the closing of the applicable C-PACE Loan, the Program Administrator must approve the private lender or financial institution as a qualified Capital Provider as outlined above.

Responsibilities of a Capital Provider include the following:

- Making the C-PACE Loan
- Recording the Surcharge and any Amendments to the Surcharge in the Land Records and notifying the Program Administrator and County
- Notifying the County and the Program Administrator of any changes to the **Surcharge Payments**, including recording any updated **Surcharge Payment Schedules** in the Land Records
- Notifying the County and the Program Administrator whenever an **Assignment** of or an **Amendment of Surcharge** to a C-PACE Loan takes place

3.9 Registered Contractors

All Projects financed through the Program must be installed by a business that has been approved by the C-PACE Program Administrator known as a Registered Contractor. Examples include an energy auditor, licensed engineer, HVAC company, or solar installer. The process includes completing a one page online form and agreeing to the terms of conditions of the C-PACE Program. The registration process does not evaluate the contractor's competence or the status of its licensure.

It should be noted that a Borrower may hire a company that is not initially a Registered Contractor as long as the company is approved prior to approval of a Final Application. If a general contractor is

responsible for the work of all subcontractors, then only the general contractor would be required to become a Registered Contractor.

To be eligible for a C-PACE Loan, work associated with the installation of a Qualifying Project Improvement that requires a license must be installed by a Registered Contractor that holds the appropriate license. Registered Contractors are responsible for ensuring that all subcontractors hold the appropriate licenses. Furthermore, it is the responsibility of the Property Owner to ensure that qualified, reputable contractors are chosen to perform the work on the Project according to the requirements set forth in the Program Guidelines.

3.10 Technical Reviewer

A contractor, energy auditor or other technical professional may perform the technical review. To become a Technical Reviewer, the firm or individual must:

- Be an impartial third-party not engaged in the Project
- Be approved by the Program Administrator
- Have one or more of the credentials described in Section 3.10.1

3.10.1 Credentials

3.10.1.1 Energy and Water Efficiency

- Registered Architect (RA)
- Professional Engineer (PE)
- Certified Building Energy Assessment Professional (BEAP) offered by the American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE)
- Certified Energy Auditor (CEA) offered by the Association of Energy Engineers (AEE)
- Certified Energy Manager (CEM) offered by AEE
- Certified High-Performance Building Design Professional (HBDP) offered by ASHRAE
- Certified Measurement and Verification Professional (CMVP) offered by AEE and Efficiency Valuation Organization
- LEED Accredited Professional (LEED AP) with documented experience as determined by the Program Administrator

3.10.1.2 Renewable Energy

- Solar PV
 - Professional Engineer (PE)
 - Individuals with IBEW-NECA Solar PV Certification
 - Individuals with North American Board of Certified Energy Practitioners (NABCEB) certifications
 - PV Specialist
 - PV Installation Professional
 - Provide proof of the following:

- 35 hours of solar PV training, pass the NABCEP Entry-Level PV exam, and provide proof that they have installed at least two solar PV systems- both using a minimum of 1 kWDC and inverter
- Either hold a letter from NABCEP stating they are qualified to sit for the NABCEP PV Installer Certification Exam (you must apply to NABCEP to sit for this exam OR hold a certificate verifying they have passed the NABCEP PV Installer Certification Exam
- Solar Thermal
 - Professional Engineer (PE)
 - NABCEP Solar Heating Installer certifications
- Other Renewable Systems
 - Professional Engineer (PE)

Note: The Program Administrator recognizes that the contractor may provide the underlying analysis that will be used to determine eligibility of renewable energy systems by the Technical Reviewer.

3.10.1.3 Resiliency

Qualifications for reviewing a resiliency Project vary based on the underlying Project scope, type, and complexity. For review of a report providing a broad range of potential resiliency improvements, a generalist may be approved as a Technical Reviewer if they have expertise sufficient to comment on the condition or expected performance of a property relevant to the hazards(s) of concern. For this level of analysis, one or more of the following credentials typically suffice:

- Professional Engineer (PE)
- Registered Architect (RA)
- Professional Geologist (PG)

For specific hazards such as flood, wind or coastal erosion, a Technical Reviewer with specialized experience and education should be retained depending on the hazards and level of risk identified. For example, for severe weather hazards including hurricanes, tropical and convective storms, a Technical Reviewer could include a Certified FORTIFIED Commercial™ Evaluator for light commercial and multifamily properties.

For most stormwater management projects, a Technical Reviewer should be a Professional Engineer licensed to practice civil engineering and/or stormwater management and have 5+ years of general civil engineering of properties, including 2+ years of experience in stormwater management or drainage calculation analysis.

For review of energy storage or alternative vehicle charging stations, a Technical Reviewer should be a Professional Engineer with at least 5+ years of relevant experience.

3.10.1.4 Environmental Remediation

For most environmental remediation projects, a Technical Reviewer will be an Environmental Professional as defined in the EPA All Appropriate Inquiry (AAI) 40 CFR §312.21 (Results of Inquiry by an Environmental Professional) as follows:

- Bachelor's degree or higher from an accredited institution of higher education in a relevant discipline of science or engineering and 5+ years of full-time relevant work experience
- State or tribal issued certification or license and 3+ years of full-time work experience
- 10+ more years of relevant, full-time work experience

For Indoor Air Quality (IAQ) projects, a Technical Reviewer should have documented expertise in IAQ including one of the following professional qualifications:

- Professional Engineer (PE)
- Registered Architect (RA)
- IAQ Certified Industrial Hygienist (CIH)
- WELL AP with documented expertise
- LEED AP with documented expertise

For Indoor Water Quality (IWQ) projects, a Technical Reviewer should have documented expertise in IWQ including one or more of the following professional qualifications:

- Professional Engineer (PE)
- Registered Architect (RA)
- Water Quality Association Professional Certification
- Environmental Professional

3.10.2 Selection of Technical Reviewer

Property owners can select an individual or firm to perform the technical review if they are approved by the Program Administrator or work with a preapproved firm for the Program. A list of pre-approved firms can be found at md-pace.com.

4.0 Project Analysis Process and Requirements

For a Project to be approved, the Property Owner or Capital Provider must submit sufficient supporting documentation to the Technical Reviewer confirming that the project meets the Program requirements.

4.1 Technical Review and Approval Process

1. Property Owner with assistance from contractor or consultant develops project analysis/documentation
2. Capital Provider or Property Owner engages Technical Reviewer
3. Capital Provider or Property Owner submits completed project analysis/documentation to the Technical Reviewer
4. Technical Reviewer reviews the provided information to verify that the assumptions are reasonable and comply with the minimum requirements of the Program
5. Technical Reviewer prepares and then submits the following documentation to the Program Administrator for approval with a copy provided to the Capital Provider and/or Property Owner
 - a) Certificate of Qualifying Project Improvements
 - b) Technical Data Attachment
 - c) Supporting project analysis/documentation necessary to support approval
6. Program Administrator reviews and approves the Project or requests clarification/modification

Resiliency and Environmental Projects are new to the Program. As a result, requirements for Technical Review documentation for resiliency and environmental remediation projects should be discussed in advance with the Program Administrator.

Note: Although not anticipated nor common, the Program Administrator does have the authority to reject the recommendations of the Technical Reviewer if the project does not meet the requirements of the Program Guidelines.

4.2 Project Analysis/Supporting Documentation for Existing Building Projects

4.2.1 Energy and/or Water Efficiency Projects

At a minimum, proposed project analysis should include the following:

- Description of the proposed project including each individual Qualifying Project Improvement that will be funded with the C-PACE Loan
- Expected annual energy savings (kWh, BTUs, or therms) over energy baseline usage; water savings (gallons or ccf) over water baseline usage; annual per unit energy and/or water cost savings (\$)
 - Optional annual demand savings (KW)
 - Optional operational savings (\$) unless required to meet a County's Savings to Investment Ratio (SIR) requirement where applicable
- Clear and logical documentation of assumptions for the calculations of savings
- Estimate of the EUL of each Qualifying Project Improvement and documentation supporting the EUL

- Calculation of the maximum eligible Term for the C-PACE Loan based on the Weighted Average EUL of the Qualifying Project Improvements or EUL of a single Qualifying Project Improvement or County Term limit where applicable
- If an EUL cannot be reasonably determined, the maximum EUL for that improvement would be 20 years
- Cost required for each Qualifying Project Improvement or for packages of Qualifying Project Improvements if interactive effects between the Qualifying Project Improvements make itemized costs impractical
- Copy of relevant calculations, equipment specs, data sheets, etc.

The Program recommends, but does not require, that the project analysis/documentation submitted to the Technical Reviewer be based on one of the following:

- ASHRAE Energy Audit standards as defined by ANSI/ASHRAE/ACCA Standard 211-2018
- Pacific Northwest National Laboratory, A Guide to Energy Audits, PNNL-20956
- Investor Ready Energy Efficiency (IREE) Certification Protocol
- ASHRAE Standard 100
- ASHRAE Standard 90.1 Appendix G
- Methods in accordance with the Maryland Energy Conservation Code

Property Owners are encouraged to obtain all applicable government, utility provider, and/or manufacturer rebates where available.

Note: The Program Administrator does not guarantee that any savings estimates provided by a Registered Contractor, Capital Provider, Property Owner and/or Technical Reviewer.

4.2.2 Renewable Energy Projects

The energy generation baseline for all renewable energy systems is assumed to be zero energy generation unless it is a replacement for an existing renewable energy system, in which case the project analysis must establish the baseline of the existing system using performance and/or nameplate ratings. At a minimum, project analysis should include the following:

- Description of proposed renewable energy system including production capacity and type (e.g., roof or ground mount solar PV)
- Description of the site's ambient conditions (e.g., shading analysis)
- Location of the renewable energy system
- Utility consumption profile of the site, including the site's historic energy use and cost (modeled energy consumption may be used in the case of new construction or adaptive reuse projects)
- Expected annual energy production (kWh), electrical demand reduction (kW), annual per unit energy production savings (\$) and operational, maintenance, and insurance cost savings (\$)
- Assumptions affecting the cost savings
 - Weighted cost of energy saved and generated by the Project

- Cost savings to be realized from time-of-use and demand charge reductions, as applicable
- Utility tariff to be applied to the site and/or system following installation
- Utility escalation rate assumptions
- Tax benefits and other incentives, as applicable
- EUL of the renewable energy system
- Maintenance expenses, as applicable
- Assessment of total Project Cost and interconnection issues, including an analysis of the impacts of surplus energy generation by the renewable energy system (e.g., description of utility tariff, if any, to be applied to system production that exceeds consumption)
- Plans to monitor the system and maintain optimized system performance
- Verification of the availability of net metering if the system generates excess power that is delivered to the utility grid at any time

Note: At its discretion, the Technical Reviewer in consultation with the Program Administrator may waive one or more of the above required components.

4.2.3 Resiliency Projects

Per the Act, a Qualifying Resiliency Project must increase the capacity of a property to withstand natural disasters and the effects of climate change including:

- Flood mitigation project
- Stormwater management project
- Project to increase fire or wind resistance
- Project to increase the capacity of a natural system
- Inundation adaptation project
- Alternative vehicle charging infrastructure
- Energy storage

4.2.3.1 General Resiliency Analysis and Approach

For determining a broad scope of potential resiliency improvements related to potential hazards, the following approach should be followed:

1. Identify and confirm the hazard(s) related to the Qualifying Property
 - a) Review regional hazard data from public or commercial risk modeling/mapping sources
 - b) Based on results, perform site specific analysis
2. Identify and quantify site specific vulnerability (risk) associated with the hazard
3. Identify customized resilience improvements that mitigate the risk or provide adaptation strategies

4.2.3.2 Qualifying Hazards

Hazards that qualify under the Program include:

- Precipitation
 - Heavy Rainfall

- Lack of Rainfall (this covers drought), contributing to water stress
- Wind-driven Rain
- Freezing Rain (icing)
- Freeze-thaw
- Flood
 - Storm Surge
 - Coastal Repetitive Flood (includes sea level rise)
 - Riverine (fluvial) Flood (includes ice-jamming)
 - Surface (pluvial) Flash Flood
- Wind
 - Tropical Cyclone
 - Winter Storms such as Ice storms
 - Severe Thunderstorm and Tornado
 - Localized Wind (includes Downslope Windstorm, Downbursts)
- Wildfire
 - Direct Physical Impacts
 - Air Quality
 - Water Quality
- Extreme Temperature and Snow/Hail
 - Extreme Temperature
 - Cold
 - Heat/Heat Stress
 - Extreme Precipitation
 - Heavy Snow
 - Hail
- Geologic Phenomenon
 - Subsidence
 - Landslide/Mudslide Coastal Erosion

4.2.3.3 Standards and Resources

Project analysis for both new construction and existing buildings may follow standards issued by The National Institute of Building Sciences. The benefit/cost ratio of a Resiliency Project can also be calculated by using resources such as the FEMA BCA toolkit. Other resources that can provide guidance in identifying potential projects include: American Institute of Architects (AIA) Disaster Assistance Handbook, Enterprise Green Communities strategies for Multifamily Building Resilience, and RELi Design.

Maryland specific resources include:

- Maryland Department of Emergency Management: <https://mdem.maryland.gov/community/Pages/Mitigation.aspx>;
- 2021 State Hazard Mitigation Plan: <https://aecomviz.com/MEMA-Maryland-360/>; and
- mdfloodmaps.com/pdfs/MD_FPM_Model_Ordinance.pdf.

4.2.3.4 Qualifying Savings

Qualifying savings can include but are not limited to:

- Savings from reduced insurance premiums
- Savings from avoided incremental insurance expenses
- Savings calculated from avoidance of business interruption
- Savings resulting from uninterrupted power
- Savings as calculated from a benefit/cost ratio > 1
- Other demonstrable savings that can qualify on a case-by-case basis

4.2.3.5 Project Analysis/Supporting Documentation

The project analysis/supporting documentation to be reviewed by the Technical Reviewer must include a narrative description of the Resiliency Project and include technical documentation to support any assumptions and calculations. Examples of supporting technical project analysis include: narrative description, engineering calculations and models, quote or affidavit from insurance provider demonstrating decrease in or avoidance of insurance costs due to increased building resiliency, and schematics demonstrating raising of building above 100-year floodplain. The report should consider any data from a local climate action plan, where applicable. The report should include the expected useful life for each measure that is documented by manufacturer information or other sources. In addition, the project analysis/supporting documentation should also incorporate any requirements from local or state laws or resilient related building codes and plans.

As resiliency is an emerging field, the Guidelines also include a Resiliency Compendium in [Appendix F](#) with resiliency related definitions and references to assist in Project development including additional tools to help qualify a Project. The Program Administrator anticipates that there will be regular updates over the next 12 to 24 months as property-specific resiliency standards are published that will be included in Appendix F.

If the Property Owner is looking for specific measures such as installing EV charging stations and energy storage systems, or designing stormwater management systems, the above general approach is not warranted.

4.2.3.6 Stormwater Management Projects

Stormwater Management is defined as a measure that reduces onsite stormwater runoff into the stormwater system such as reduction in the quantity of impervious surfaces or onsite retention and/or filtering of stormwater. A project analysis for Stormwater Management Projects must demonstrate that the Qualifying Project Improvements result in a reduction in onsite stormwater runoff into the local stormwater systems, and/or provides reduction of stormwater runoff pollutants. These reductions must meet or exceed the requirements of County for stormwater management when constructing a new building. For existing buildings, the analysis must demonstrate that the improvement(s) will reduce

the quantity of stormwater runoff and/or the pollutant load of existing runoff and bring the system to be code compliant at a minimum.

If an EUL cannot be reasonably determined, the maximum EUL for that improvement would be 20 years. The Program Administrator retains the right to limit the EUL of improvement(s) if sufficient supporting documentation cannot be provided or is unavailable.

4.2.4 Environmental Remediation

4.2.4.1 Asbestos, Lead Paint Removal, and Mold Remediation

Environmental remediation generally refers to the clean-up of land or buildings in response to a Phase 2 Environmental Site Assessment (ESA), Weatherization type analysis, and/or outlined in a Voluntary Remediation Plan that has been reviewed by the Maryland Department of the Environment. Per the Act, the types of Qualifying Projects include:

- Asbestos Remediation
- Lead Paint Removal
- Mold Remediation

The estimated cost for each remediation action for the Project, including an ESA Phase 1 and Phase 2 ESA costs (e.g., soil sampling) can be included in the C-PACE Loan amount.

In Maryland, Environmental Remediation also includes improvements in Indoor Air and Water Quality. Indoor Water Quality which can be found below:

4.2.4.2 Indoor Air Quality and Indoor Water Quality

An Indoor Air Quality (IAQ) Project can be defined as improving the rated performance in indoor air quality by reducing exposure to indoor airborne contaminants.

Permanently affixed measures that exceed the minimum standards of indoor air quality required by law for retrofit or ground up construction will typically be considered eligible. For existing buildings, qualified professionals may also establish a baseline model of building-wide CO₂ or oxygen levels and develop an “as complete” model incorporating proposed air quality measures to demonstrate improvements over the baseline. Examples of supporting technical project analysis include Equipment cutsheets, building models, etc. The following reference can provide guidance when developing an IAQ project: <https://www.epa.gov/indoor-air-quality-iaq/clean-air-buildings-challenge>.

For Indoor Water Quality (IWQ) projects, a project analysis/supporting documentation would demonstrate that contaminants in the potable water provided to a building had been removed such as replacement of lead-based piping with CPVC or copper piping. The following reference can provide guidance when developing an IWQ project: <https://www.epa.gov/ground-water-and-drinking-water>.

Please note that supplemental information on IAQ and IWQ will be provided in a future Appendix.

4.3 New Construction and Substantial Renovation/Adaptive Reuse

The Program is available for the construction of new buildings as well as the substantial renovation of existing buildings or the adaptive reuse of vacant buildings.

4.3.1 Baseline: New Construction

New construction projects, unlike existing-building retrofits, do not provide a baseline to compare potential savings from Qualifying Project Improvements. Therefore, the baseline for new construction projects is taken from construction standards denoted in the Maryland Building Performance Standards (MBPS). The MBPS denotes the Maryland applicable building codes and standards that in turn are governed by other international and domestic building codes such as the International Energy Conservation Code. Local jurisdictions may adopt a more stringent version of this code and the local jurisdiction adoption of the IECC is the applicable building code. The project analysis should demonstrate that the project complies with local building codes promulgated by the applicable local government department. The Technical Reviewer should verify that the information provided for review confirms compliance with new construction codes.

The project analysis should summarize that the building's total anticipated performance exceeds the building code (baseline) with a summary percentage of performance above the code baseline. **To qualify for C-PACE Financing on a new construction Project, the Project must achieve energy and/or water savings that exceed the applicable building code.** One hundred percent (100%) of the C-PACE Project Costs of all water or energy related measures in new construction projects that demonstrate a whole-building summary performance above the minimum code baseline are financeable through C-PACE.

A new construction project that only involves renewable energy installed on a new building is not subject to the additional requirements and should follow the Project Analysis requirements for renewable energy systems to existing buildings as described in 4.2.2 Renewable Energy Systems.

4.3.2 Baseline: Substantial Renovation/Adaptive Reuse

The baseline utilized for establishing energy/water consumption for a substantial renovation or adaptive reuse project will be based on a number of factors such as availability of historic utility bills, type of equipment to be installed, and change of use or occupancy type. The registered Contractor in collaboration with the Technical Reviewer and/or the Program Administrator will make the determination if the energy or water savings for a Project should be determined under the Existing Building or New Construction methodology.

4.3.3 Methodologies for Determining Savings

A project analysis for a new construction project may demonstrate expected energy or water savings over this baseline in one of two methods:

- Method 1: Itemization of individual Qualifying Project Improvements (Prescriptive Path): Itemization of individual Qualifying Project Improvements in the Project whose efficiency specifications exceed the baseline requirements as outlined in the appropriate building code.

The project analysis/supporting documentation must describe the characteristics of each Qualifying Project Improvement and provide supporting documentation showing that each Qualifying Project Improvement exceeds minimum baseline requirements.

- Examples of supporting documentation include but are not limited to: contract certificates, permits, equipment cutsheets, COMcheck certificates, building plans. 100% of the cost of each Qualifying Project Improvement that exceeds minimum code requirements may be included in the C-PACE Loan amount.

- Method 2: Demonstration of total savings above applicable building code on a whole building basis: Estimated whole building energy and/or water savings above minimum baseline should be calculated using a DOE approved building energy modeling software or detailed engineering calculations, following one of the two allowable pathways in the applicable IECC. Savings calculations for the whole building must state the building’s total anticipated performance and specify the summary percentage of energy and/or water performance over code minimum. One hundred percent (100%) of the energy and water-related measures included in the whole building model may be considered Qualifying Project Improvements.

4.4 C-PACE Project Refinancing

4.4.1 Qualifications

C-PACE Project Refinancing refers to the following scenarios:

- Replacing an existing C-PACE loan with a new C-PACE Loan as long as the original C-PACE loan is paid off in its entirety from the proceeds of the new C-PACE loan
- Refinancing a part of the entirety of a conventional loan with a C-PACE Loan
- Amending an existing C-PACE Loan

Please note that using C-PACE to pay for previously installed improvements that were paid for entirely with cash would not qualify under the current statutory regime.

Other than increasing proceeds on an already approved C-PACE Loan amount, C-PACE Project Refinancing requires all application, approval and recording requirements like a new C-PACE Loan.

4.4.2 Lookback Period and C-PACE Loan Term

Projects that have received a final Certificate of Occupancy no more than 36 months prior to the completion of a new C-PACE application would qualify for C-PACE Project Refinancing. A longer lookback period can be approved by the Program Administrator on a case-by-case basis.

The C-PACE Loan Term would be based on the remaining Weighted Average EUL of the Qualifying Project Improvements based on the time elapsed between the time of installation and closing of the new C-PACE Loan. For example, if an approved C-PACE Loan is funded one year after installation of

the Qualifying Project Improvements, the term of the C-PACE Loan would be one year less than if it had been funded at the time of completion.

4.4.3 Required Documentation

Verification is required to establish prior conditions (baseline) and describe the new Qualifying Project Improvement(s) installed in the C-PACE Project Refinancing. The project analysis must include additional documentation that provides evidence of installation of the Qualifying Project Improvements:

- Completion Date for the Qualifying Project Improvement(s) subject to the Project
- Make and model of equipment replaced, if applicable
- Photos supported by descriptions, which provide evidence of installation of new Qualifying Project Improvement(s)
- Certifications of the Registered Contractor
- Review by the Technical Reviewer

5.0 Program Fees

5.1 Program Administration Fees

The Program Administrator provides a wide variety of services at no upfront cost and is only paid upon closing of C-PACE Loans. These services include, at a minimum, processing and approving C-PACE applications, assisting in closing and servicing of C-PACE Loans, providing marketing, education and training of Program participants and stakeholders, reporting to local government sponsors, and maintenance and upgrade of program documents, materials, and web resources on an ongoing basis.

5.1.1 Application Fee

There is no fee to apply for a C-PACE Loan.

5.1.2 Closing Fee

The Closing Fee is a one-time processing fee of the C-PACE Loan based on the Surcharge Amount. This fee may be capitalized into the Surcharge Amount for the Project. There is a minimum Closing Fee to cover the costs of review if the project does not close. This fee is paid out of the proceeds of the C-PACE Loan at closing. The fee schedule is found in [Appendix C](#).

5.1.3 Servicing Fee

The Servicing Fee is an annual fee for servicing the C-PACE Loan for the Program. The Property Owner pays through their real property tax bill an amount for this service on an annual or semi-annual basis. This amount is included in Exhibit C: **Surcharge Payment Schedule** of the Statement of Levy and Lien of Surcharge Agreement. Fees are based on a percentage of the Surcharge Payments based on market rates. The fee schedule is found in [Appendix C](#).

5.1.4 Out of Scope Expenses

The Closing and Servicing Fees cover the regular costs of the administration of the Program. These costs and expenses do not include any specialized optional professional services that may be necessary for a particular Project either prior or post-closing. Examples include (but are not limited to):

- Requesting substantial assistance in developing the Project scope
- Obtaining Mortgage Holder Consent on behalf of the Property Owner or Capital Provider
- Time-intensive negotiation of any Program documents
- Extensive review of a Project beyond the Program Administrator’s standard scope of work
- Review of non-standardized Program documents
- Obtaining a legal opinion for the Capital Provider
- Assistance in amending a Surcharge payment on behalf of a Capital Provider
- Assistance related to curing a delinquency on behalf of the Capital Provider

Expenses incurred prior to the closing of the C-PACE Loan can be added to the Surcharge Amount if desired. Like the Closing Fee, these expenses can be paid out of proceeds at closing. Fees may be modified from time to time at the sole discretion of the Program Administrator.

5.2 County Fees

Some jurisdictions charge fees and taxes related to processing and recording of the C-PACE Loan and vary by County. See [Appendix E](#) for more information.

5.2.1 Application Fee

A fee charged, if applicable, for applying for a C-PACE Loan in a County.

5.2.2 Recording Expenses

Fees and taxes, if applicable, charged by a County to record the Statement of Levy and Lien of Surcharge Agreement and any amendments. The taxes are typically based on a percentage of the Surcharge Amount.

5.2.3 Annual Fees

A collection and processing fee charged by a County included in the annual property tax surcharge. This fee is separate from the Servicing Fee charged by the Program Administrator. Fees may be modified from time to time at the sole discretion of a County.

5.3 Capital Provider Fee

Capital Providers and Project Developers may charge an origination fee to cover the costs of arranging the C-PACE Loan, which is agreed upon in the Clean Energy Loan Financing Agreement.

5.4 Sample Project Costs

Qualifying Project Costs vary based on a number of factors such as the asset type, complexity of the Qualifying Project Improvements, market, County requirements, and ownership structure. The sample Project on the following page has been created to provide an example of how the total Surcharge Amount and annual Surcharge Payments are calculated based on typical Loan terms such as interest rate, amortization period, term and capitalized interest period.

Project Costs and Fees	
Hard Costs	\$3,000,000
Project Analysis	\$5,000
Technical Review	\$2,000
Appraisal, Other 3rd Party	\$5,000
Related A/E Costs	\$210,000
Title Report, Credit Check	\$200
Other Lender Expenses	\$4,000
Owner Legal	\$10,000
Total Hard and Soft Project Costs	\$3,236,200
Recording Fee (all counties)	\$115
County Application Fee (average)	\$78
Recording Tax (average)	\$23,474
Capital Provider Fee	\$54,170
Program Admin Fee	\$37,919
Prepaid Capitalized Interest	\$259,564
Total Financing, County & Admin Fees	\$375,320
TOTAL SURCHARGE AMOUNT	\$3,611,520
Annual Surcharge Payments	
Annual Surcharge Payment	\$308,509
Annual Servicing Fee	1.5%
Annual Servicing Fee Due to Cap	\$2,000

Loan Assumptions	
Interest Rate	5.75%
Term (years)	20
Amortization	20
Program Admin Fee	1.05%
Cap Provider Fee (example)	1.50%
Recording Tax (average)	0.65%

Fee and Capitalized Interest Calculations			
Capitalized Interest Assumptions		Capitalized Interest & Fee Calculation	
Closing Day	6/30/2022	Recording Tax	\$23,474
First Payment	9/30/2023	Admin Fee	\$37,919
Days	450	Capital Provider Fee	\$54,170
Daily Rate	0.016%	Estimated Surcharge for Fee Calculation*	\$3,611,327
Contingency	7.19%	Capitalized Interest	\$259,564

* Used to calculate the recording, program administration, and capital provider fees that are included in the Surcharge Amount. Baltimore City fees cannot be included in the Surcharge Amount.

6.0 Loan Application Process

The application process includes application management, approval, and completion of the Project. Repayment of the C-PACE Loan is described in [Section 7.0 C-PACE Loan Administration](#). To proceed with funding a C-PACE Project, a Property Owner must complete the application process, which has two phases, Pre-Application and Final Application.

6.1 Determine Eligibility and Complete Pre-Application

The applicant should review the MDPACE Approval Checklist to understand the documentation requirement of obtaining a C-PACE Loan, found in [Appendix D](#).

The Pre-Application gives an applicant the opportunity to establish project eligibility before investing in significant project development. The information collected in this step of the process will be used by the Program Administrator to verify that the property is qualified, and that the proposed Project falls generally within the parameters established in this Program Guidelines.

To begin the process, a Property Owner completes the online Pre-Application form available in the [Project Portal](#). The Project Portal contains all documents, applications, and instructions required for a project to be approved for a C-PACE Loan. An applicant will be prompted to establish a username and password which will be used to submit information to the Project Portal. The information collected on the Pre-Application includes:

- Property Address (including jurisdiction with taxing authority)
- Property Tax Identification Number (SDAT)
- Point of Contact for the Application
- Name of the Borrower
- Approximate Value of the Property
- Approximate Loan Amount

Once a Pre-Application is submitted, the Program Administrator will conduct a preliminary review to determine if the project is eligible for enrollment in the program. This review will typically be completed within 1-2 business days after receipt of a completed Pre-Application. The Program Administrator's approval of a Pre-Application is required prior to submitting the Final Application.

6.2 Select Capital Provider and Develop Project

If the Pre-Application is approved, the Property Owner moves forward with the project development phase.

6.2.1 Project Analysis

The Property Owner must complete a project analysis, as described in [Section 4.0 Project Analysis Process and Requirements](#). Following the project analysis, a Property Owner or their representatives will develop the final scope, Project Costs, and schedule in conjunction with a Registered Contractor and/or Project Developer. Once complete, the Property Owner or Property Owner representative must engage a Technical Reviewer that reviews the reasonableness of the underlying assumptions of the Project Analysis.

6.2.2 Mortgage Holder Consent

If the Qualifying Property has existing deeds of trust and/or mortgages, the Property Owner must obtain the written consent of all existing lienholders as a condition of closing the C-PACE Loan. Given that this process can take some time, the Program Administrator recommends that the Property Owner contact these lienholders early in the scoping process to gauge the likelihood that consent will be granted (See [Section 8.0 Mortgage Holder Consent](#)).

During this phase, the Property Owner should also contact qualified Capital Providers to secure acceptable C-PACE Loan terms and conditions. For more information, see [Section 3.8 Capital Providers](#). The Capital Provider may conduct its own underwriting review of the Project.

6.3 Submit Final Application with Supporting Documentation

When the pre-development work for the project is complete, a Property Owner will complete the Final Application. The Final Application can be started upon approval of the Pre-Application and is accessible through the [Project Portal](#). The Property Owner will also receive an email with a link to the Final Application within the Project Portal. The Program Administrator's approval of the Final Application is a requirement to closing the C-PACE Loan.

The Final Application contains a section available to the Property Owner to upload all supporting documents. [The Program Administrator will only accept documents uploaded to the Project Portal.](#)

At a minimum, the following supporting documentation must be provided:

1. Final Application completed and signed by the Property Owner
2. Owner Tax History: Documents must be provided verifying the Property Owner is current on property taxes
3. Technical Project Analysis Documentation: Technical Review that includes a Certificate of Qualifying Project Improvements, Technical Data Worksheet and supporting documentation typically provided via a project analysis
4. Installation contract(s) from C-PACE Registered Contractor(s) for the Project that includes the cost of the work, the scope of work, specifications for the equipment, and the schedule for the installation of the Qualifying Project Improvement(s) identified in the project analysis/supporting documentation for the Project

5. Capital Provider's offer to fund/term sheet. The Property Owner must provide documentation that indicates that a Capital Provider has offered to provide a C-PACE Loan for the Project. Such documentation may be evidenced by a signed term sheet, commitment letter, or other documentation satisfactory to the Program Administrator;
6. Title Report or Commitment prepared by a Title Insurance Company disclosing all current lienholders on the Qualifying Property and confirming that there are no involuntary liens on the Qualifying Property. The title report should be issued no more than 60 days prior to recording the Surcharge in the Land Records to avoid any intervening title matters appearing of record. The Property Owner and Capital Provider are responsible for obtaining the title report;
7. Property Value determination. The Property value must be determined for both taxable and tax-exempt properties using either the assessed value or an appraisal. The appraisal or real estate evaluation completed within 18 months of the submission of Final Application and prepared by an independent real estate appraisal firm. The appraisal or other acceptable forms of valuation must be completed within 18 months of the submission of the Final Application; however, exceptions can be granted at the discretion of the Program Administrator. The Capital Provider may also require an appraisal separate from the requirements of the Program;
8. Mortgage Holder Consent completed and signed for the proposed Project from each existing lienholder that has a deed of trust on the Qualifying Property. Mortgage Holder Consent requests should be delivered to lienholders well in advance (e.g., 30 days) of the anticipated C-PACE Loan closing date. This is signed by the existing lender;
9. Documentation of Mortgage release(s) (if applicable);
10. Mortgage balance or commitment or other loan balance(s) (if applicable). Copies of the most recent mortgage loan statement(s) for all loans outstanding or commitment for mortgage on the Qualifying Property must be included to determine the current loan-to-value ratio;
11. MDPACE Disclosures and Risks: This document link can be found in the Transactional Documents found in [Appendix E](#). It is signed by the Property Owner;
12. Property Owner Affidavit: Signed by the Property Owner; and
13. Project Information Request: The Property Owner must submit a completed request form that allows the MDPACE Program to market publicly certain project specific information in the future. The Program uses C-PACE Projects in case studies, visual media, presentations, and other public press to increase public interest around C-PACE and its benefits.

Once a complete Final Application is received, the Program Administrator will review it for completeness, accuracy, and compliance with this Program Guidelines. The Program Administrator may provide exceptions to a Final Application and allow certain documents to be provided prior to closing versus prior to project approval, which is communicated via a **Conditional Approval Letter**. The Program Administrator will provide the Property Owner a Conditional Approval Letter or request more information within five business days after submission of a completed Final Application. A **Final Approval Letter** will be issued once the Transactional Documents have been reviewed by the Program Administrator and County typically within five business days and ten business days, respectively of receipt. A Capital Provider may require additional documentation as part of its financing due diligence and closing requirements.

6.4 Close C-PACE Loan and Initiate Project Construction

6.4.1 Overview

Upon receipt of the Final Approval Letter, the Property Owner may proceed with closing the C-PACE Loan. The Property Owner must submit to the Program Administrator:

- Executable copy of the Statement of Levy and Lien of Surcharge Agreement
- Executable copy of the Financing Agreement

A form of the Statement of Levy and Lien of Surcharge Agreement is included in this Program Guidelines in [Appendix E](#). The Program Administrator will send the Statement of Levy and Lien of Surcharge Agreement, the Financing Agreement, and the Final Approval Letter to the jurisdiction for review. Following the execution of the SLL with Amendments, payment of all applicable fees, and consummation of the C-PACE Loan closing, the Capital Provider will record the fully executed SLL with exhibits in the Land Records. The Capital Provider will obtain all wet signatures from the jurisdiction, the Property Owner, and the Capital Provider (where applicable) as well as appropriate checks/wiring information for jurisdiction fees. The Program Administrator will assist the Capital Provider in this process as needed. Links to the County recording fees can be found under Appendix F. Upon receipt of recorded documents, the Capital Provider will send copies to the Program Administrator. The Program Administrator will provide the Notice to Commence Levy and Collection of Surcharge to the County. Please note that the levy year should be the year that the first Surcharge payment is due which may not be the year that the C-PACE Loan closes.

The C-PACE Loan proceeds will be disbursed by the Capital Provider according to mutually agreeable terms between the Capital Provider and Property Owner in accordance with the Financing Agreement.

6.4.2 Simultaneous Close of C-PACE and Transfer of Property Ownership

If C-PACE financing is closing alongside a transfer of property ownership, then the MDPACE Program Administrator must receive a substantively final copy of the deed or similar instrument that will be recorded at close as part of the application package. On the day of recording, the deed or similar instrument must be submitted to the Land Records office prior to submission of the Statement of Levy & Lien of Surcharge Agreement.

6.4.3 Simultaneous Close of C-PACE and Mortgage or Deed of Trust

If C-PACE financing is closing alongside a mortgage or deed of trust or other similar instrument, then the Program Administrator must receive a substantively final copy of the mortgage or deed of trust or similar instrument that will be recorded at close as part of the application package. On the day of recording, the mortgage or deed of trust or similar instrument must be submitted to the Land Records Office prior to submission of the Statement of Levy & Lien of Surcharge Agreement.

6.4.4 Simultaneous Close of C-PACE and Mortgage Release

If C-PACE financing is closing alongside a mortgage release instrument, then the Program Administrator must receive a substantively final copy of the mortgage release instrument that will be recorded at close as part of the application package. On the day of recording, the mortgage release instrument must be submitted to the Land Records office prior to submission of the Statement of Levy & Lien of Surcharge Agreement. In this situation, a Mortgage Holder consent form is not required for the mortgage being released at close.

6.4.5 Closing and Mortgage Holder Consent

In cases where existing secured lienholder(s) will not be lienholders on the Qualifying Property as of financial close of the C-PACE Loan and/or when the Qualifying Property will have new senior lender(s) as of financial close of the C-PACE Loan (e.g., a simultaneous acquisition and refinancing of the Property), the Property Owner must provide the Program Administrator with a letter prior to the closing that describes any and all mortgage transactions taking place on the property prior to or simultaneous with closing the C-PACE Loan. All parties that have a mortgage on the property as of the close of the C-PACE Loan must provide consent in accordance with the Maryland C-PACE Statute. Secured lienholder(s) not providing consent must provide a letter stating agreement to being paid out in full. The Property Owner must attach the applicable consents, copies of payoff letter(s) from existing mortgage provider(s), and a closing letter containing instructions for fund distribution as of financial close.

On the day of close, the Property Owner must provide confirmation of the escrow agent's receipt of funds and request that the Program Administrator authorize the release of signatures simultaneous to all other parties to the transaction releasing their signatures. Upon the release of signatures by other parties, the title company must follow the list of instructions outlined in the closing letter (including releasing funds to the appropriate parties and recording documents in the order outlined in the closing letter).

6.5 Project Completion

When the Project is complete, the Borrower will forward evidence of completion to the C-PACE Program Administrator by submittal of a **Completion Certificate**, which can be found in [Appendix E](#). It is the responsibility of the Property Owner to ensure that the Project has been successfully completed, including completion and compliance with any necessary approvals of local building codes or standards as issued by County building officials or other County agencies.

7.0 C-PACE Loan Administration

7.1 C-PACE Surcharge

The Surcharge Payments that are due, and any interest or penalties accrued thereon, constitute a first and prior lien against the Qualifying Property from the date that the Statement of Levy and Lien of Surcharge Agreement (SLL) is recorded with the County until the C-PACE Loan and all interest and penalties are paid in full and the Surcharge has been released of record.

The Surcharge is attached to the land and no portion of the C-PACE Loan shall be eliminated by a foreclosure sale. The C-PACE Loan cannot be accelerated, and the Surcharge cannot be extinguished until the C-PACE Loan is fully repaid. The Surcharge will be enforced by the County in a similar manner as the County enforces delinquent real estate taxes, as specifically provided in the Ordinance and the SLL. A C-PACE Loan transfers to the new property owner upon a sale or transfer of the Qualifying Property during the Term.

7.2 Repayment of the C-PACE Loan

The Surcharge Payment Schedule for the proposed C-PACE financing must match the applicant's property tax schedule: e.g., if the Property Owner owes property tax payments in annual installments, then the C-PACE Surcharge Payments must be due in annual installments. Please note that in the City of Baltimore, the Surcharge Payment Schedules must be annual, even if the Property Owner pays property taxes in semiannual installments. Interest only periods are determined by the terms dictated in the Financing Agreement. Capitalized Interest is capped at 36 months unless an exception is made at the discretion of the Program Administrator. The C-PACE Surcharge Payment Schedule must accurately reflect that C-PACE Surcharge Payments are due on September 30, for annual payment schedules and on September 30, and December 31, for semiannual payment schedules.

C-PACE Payments will be billed and collected by the Counties with assistance from the Program Administrator. Pursuant to the SLL and the Financing Agreement, each C-PACE Payment must be paid in full by the relevant due date reflected on the Surcharge Payment Schedule, or the Surcharge Payment will be considered delinquent. Further discussion is under Section 5.1.3 Servicing fees and in Section 7.5 Servicing of Surcharge Payments.

Pre-payment of a C-PACE Loan is permissible per the terms and conditions laid out in the Financing Agreement. Nothing in this Program Guide may supersede or alter the terms and conditions contained in the SLL and the Financing Agreement.

7.3 Delinquent C-PACE Payments and Enforcement Remedy

If the Property Owner defaults for failing to pay the Surcharge Payments on time, then the Surcharge will be enforced by the County in a similar manner as the local government enforces delinquent real

estate taxes, including enforcement through a tax lien sale and/or other collection remedies. However, the outstanding balance of the C-PACE Loan will not be accelerated, and the Surcharge will not be extinguished by a tax lien sale.

Delinquent Surcharge Payments are subject to interest, penalties, and/or other fees in accordance with the executed documents with the Capital Provider and the applicable County.

Counties are entitled to recover costs and expenses, including attorneys' fees, in a suit to collect Delinquent Surcharge Payments, in a similar manner as in a suit to collect delinquent real estate taxes, including utilizing any administrative remedies provided by Maryland law. The costs and expenses recovered by the county would be in addition to any costs, expenses, interest, or other amounts due and owing to Capital Provider in accordance with the executed documents.

7.4 Amendment of Surcharge and Payment Schedule

7.4.1 Overview

The Capital Provider can amend the Surcharge and/or Payment Schedule per the SLL and the Financing Agreement during the term of the C-PACE Loan. This process could be to amend the Surcharge Payment Schedule to reflect interest charges related to late payments, or to amend and restate the SLL and Financing Agreement to increase the C-PACE Loan proceeds if the project qualifies.

7.4.2 Process

The Capital Provider must use the form of Amendment in the Surcharge Processing Agreement linked in [Exhibit E](#) and submit to the Program Administrator for review. Once reviewed, the Program Administrator will forward this Amendment to the County who will then amend the Surcharge to reflect the adjustment and file the Amendment in the Land Records. The Program Administrator will facilitate closing by providing the Capital Provider a copy of the SLL executed by the County, which shall be recorded in the Land Records against the Property. The SLL will be recorded by the Capital Provider to evidence each amendment to the C-PACE Loan and C-PACE Surcharge.

In all scenarios, the Capital Provider should communicate the reasons for the Amendment to the Program Administrator to understand the process and any associated incremental costs for the facilitation of this process.

7.5 Release of the C-PACE Surcharge

Once the C-PACE Loan is repaid in full according to the terms of the C-PACE Documents, the Capital Provider will record a release of the C-PACE Surcharge in the Land Records.

7.6 Servicing of Surcharge Payments

The County will bill, collect, and remit through a paying agent the Surcharge Payments due on an annual or semi-annual basis. The Program Administrator facilitates this process by providing notice to the Counties of new Surcharges to be included in the applicable levy year as well as verify that monies have been received by the County and transferred to the paying agent. Fees associated with servicing of Surcharge Payments is discussed under Sections 5.1.3 and 5.2.

8.0 Mortgage Holder Consent

8.1 Overview

Per the Act, a Property Owner must obtain the written consent of all existing mortgage or deed of trust lienholders of record encumbering the Qualifying Property prior to closing the C-PACE Loan. Mortgage Holder (“**Mortgage Holder Consent**” or “**Lender Consent**”) must be in the form approved by each existing lienholder. The purpose of Mortgage Holder Consent is for all existing secured lienholders with interest in the Qualifying Property to consent to the due and unpaid Surcharge Payments (“Delinquent Surcharge Payments”) having a lien status senior to their position. When an existing secured lienholder will not consent to C-PACE, the mortgage or deed of trust must be prepaid in full prior to or simultaneous to the closing of the C-PACE Loan.

The Mortgage Holder Consent document will achieve the following:

- Request confirmation from the secured lienholder(s) that the levy of the Surcharge, subject to the Statement of Levy and Lien of Surcharge Agreement and Financing Agreement will not trigger an event of default nor the exercise of any remedies under the mortgage loan documents or other security documents held by the lienholder
- Advise the secured lienholder(s) that the C-PACE Surcharge will be repaid in installments collected pursuant to the terms of the Statement of Levy and Lien of Surcharge Agreement and Financing Agreement and subject to the same penalties, remedies, and lien priorities as a special assessment. Additionally, provide notification that the secured lienholder’s lien will be junior to the payments of the C-PACE Surcharge as they come due and that the C-PACE Surcharge does not accelerate
- Advise the secured lienholder(s) of the terms of the C-PACE Loan that describe the maximum Surcharge Amount, the maximum Term based on the Weighted Average EUL, and the amount financed cannot exceed the Qualifying Project
- Advise the secured lienholder(s) that the County will enforce the Surcharge in the same manner as property taxes and other special assessment charges

The Capital Provider may provide financing for up to 110% of the financing amount requested without obtaining additional Mortgage Holder consent. In addition, the amounts of the individual components

of the total C-PACE financing requested may change from the amounts listed above, if the C-PACE financing requested will not increase by more than 10% of the total C-PACE Loan amount. In most counties, Mortgage Holder consent is sufficient for program approval. Carroll County requires the consent of other mechanic lienholders on the property. Dorchester County requires the consent of all other lienholders on the property.

The Program Administrator recommends that the Property Owner consult with its chosen Capital Provider or Project Developer before approaching any existing lienholders of the Qualifying Property. Many traditional lenders are not familiar with C-PACE and may not understand how the Program works. In seeking consent, the Property Owner may find it helpful to inform secured lienholders that if there is a C-PACE Loan default and tax foreclosure, the C-PACE Loan will not accelerate, and only current and Delinquent Surcharge Payments enjoy senior lien status over existing secured liens. Further, a Property Owner should emphasize that a C-PACE Loan typically increases the value of the lienholder's collateral.

A template of a Mortgage Holder Consent Notice and Agreement is provided in the Transactional Documents linked in [Appendix E](#).

8.2 Consent and HUD

Multifamily properties that are subject to a HUD-backed mortgage must receive consent from HUD to access C-PACE financing. The MDPACE program has received conditional approved C-PACE program under HUD C-PACE requirements. For more information, please visit: <https://www.hud.gov/sites/documents/17-01HSGN.PDF>. For a copy of HUD's approval letter of the MDPACE program, please contact info@md-pace.com.

9.0 Change Orders

All change orders that result in an alteration of the anticipated savings attributed to the Project must be pre-approved by the Program Administrator to ensure that the changes to the Project remain consistent with the Program requirements. The Borrower must provide documentation of the following:

- Any change in Project scope with a description of the changes
- Revised Project budget to account for changes in Project Costs
- Revised Technical Review documentation confirming new savings estimates
- Approval of the change by the Capital Provider.

A Property Owner who requires a change order is required to complete a summary of the above changes and submit the same to the Program Administrator for approval.

10.0 Marketing and Outreach

The MDPACE Program provides stakeholders with a variety of resources that can be used to promote the Program. Resources such as fact sheets for different stakeholders, case studies by property type. The majority of these resources can be found on the Program's website at www.md-pace.com.

Marketing, Outreach and Training (MOT) is key to successfully launching and sustaining an accelerated growth of C-PACE in the Maryland marketplace. MOT leverages the Program brand utilizing various channels including the website, public relations, email communications, and outreach efforts to educate stakeholders and channel partners. Providing the benefits of C-PACE with a focus on energy and equity goals provides economic development tools to promote Maryland Counties.

C-PACE is a complex program to implement because of the different stakeholder groups that are part of the customer acquisition process. There are five major groups of C-PACE stakeholders that the Program targets through direct outreach or through channel partnerships including:

- Property owners of existing properties
- Developers of new projects
- Contractors and service providers with focus on small, minority and veteran businesses
- Counties
- National and community-based capital providers and lending institutions

The Program Administrator conducts education and outreach programming tailored to each stakeholder group around the benefits of C-PACE financing and posts online training modules to assist contractors and Capital Providers on the benefits and mechanics of utilizing C-PACE. The Program Administrator also establishes specific marketing channels to conduct outreach and education to minority, women, and veteran partners.

C-PACE has evolved from being primarily a small retrofit financing tool to a gap financing product that replaces equity or mezz debt in the capital stack. The market has shifted because the Capital Providers – who originate most of the transactions nationwide – recognized the need to generate a minimal level of fee income and to increase the certainty of close. Continued outreach and marketing to lenders to register and participate in the C-PACE Program is a key strategy in bringing new construction and retrofit Projects.

Appendix A: Glossary of Terms

Abacus Property Solutions, LLC (“Abacus”) - A small, woman-owned business that administers C-PACE programs including the MDPACE Program.

Amendment of Surcharge and Payment Schedule - An Amendment to the Statement of Levy and Lien of Surcharge Agreement executed by the local government, Capital Provider, and Property Owner, which is recorded in the Land Records against the Property by the Capital Provider to evidence each amendment to the C-PACE Loan and C-PACE Surcharge. A form of Amendment of Lien can be found in Appendix E.

Ancillary Costs - Costs necessary to install a Qualifying Project Improvement. Examples include roof structural improvements necessary to support a roof-mounted solar PV array or building electrical upgrades necessary to support an energy efficient HVAC system.

Assignment of Surcharge - An assignment of the Statement of Levy and Lien of Surcharge Agreement, executed by the Capital Provider from time to time without consent from the local government or borrower, which shall be recorded in the Land Records against the Property by the Capital Provider to evidence the Capital Provider’s assignment of the C-PACE Loan and C-PACE Surcharge.

Capital Provider or Clean Energy Lender - 1) A private lending institution that has been approved by the Program Administrator in accordance with the Program Guidelines to originate a C-PACE Loan and its successors and assigns or 2) The current holder of a C-PACE Loan.

Clean Energy Loan Financing Agreement or Financing Agreement - The document executed by the Property Owner and Capital Provider that defines the terms of the C-PACE Loan, which comply with the requirements of the Program, and which are mutually agreed upon by the Property Owner and Capital Provider.

Clerk’s Office - The Clerk’s Office of the Circuit Court of State of Maryland.

Closing Fee - A one-time Program administration fee paid at loan closing.

Combined Loan to Value (LTV) - All secured debt like mortgages plus all C-PACE assessments.

Commercial Property - Means real property that is: 1) not designed principally or intended for human habitation; or 2) used for human habitation and is improved by more than four single family dwelling units.

Commercial Property Assessed Clean Energy (MDPACE) Agreement or Clean Energy Agreement - The administrative agreement detailing the roles and responsibilities of the County and the MCEC.

Completion Certificate - A certificate of completion executed by the Property Owner.

Conditional Approval - A letter provided to the Property Owner or Capital Provider by the Program Administrator indicating that the documents associated with the Pre- and Final-Application have been completed.

County - Means all counties and the City of Baltimore within the state of Maryland.

C-PACE - Commercial Property Assessed Clean Energy.

C-PACE Act - Maryland's clean energy financing statute, codified at Chapter 441

C-PACE Loan - A loan from a Capital Provider to a Property Owner to finance a Project in accordance with the Program Guidelines. Per the C-PACE Act, a C-PACE Loan is available for commercial buildings. Residential properties with fewer than five (5) single family dwelling units are not eligible.

C-PACE Loan Amount - The total amount of the loan principal, plus all interest, penalties, fees, costs, and other amounts accrued as outlined in the C-PACE Transaction Documents and resulting Surcharge levied against the Qualifying Property.

C-PACE Ordinance or Ordinance - A piece of legislation enacted by a jurisdiction establishing C-PACE in that jurisdiction.

C-PACE Programmatic Documents - The Ordinance enacted in a local government, the Commercial Property Assessed Clean Energy (MDPACE) Agreement executed between the local government and the Program Administrator and the MDPACE Program Guide.

C-PACE Project Refinancing - Completed installations of certain C-PACE Projects are eligible for refinancing using C-PACE. C-PACE Projects requesting refinancing must satisfy the same requirements as other C-PACE Projects in terms of eligibility in most cases.

C-PACE Transactional Documents - The suite of documents necessary to apply for and close a C-PACE Loan.

Delinquent Surcharge Payment - Any C-PACE Loan payment that was not paid by the Borrower in accordance with the C-PACE Documents and the Amortization Schedule.

Final Application - The application to participate in the Program and receive the C-PACE Loan that is approved by the Program Administrator and that confirms that the Property Owner has met all the requirements set forth in the Program Guidelines. Approval of the Final Application by the Program Administrator is a condition to closing the C-PACE Loan.

Final Approval - A letter provided to the Property Owner or Capital Provider by the Program Administrator that signifies that the Final Application is complete and has been approved. Following receipt of this notice, the Property Owner may close the C-PACE Loan.

Hard Costs - All direct installation/construction contract costs (materials, labor, and overhead) associated with the Project.

Land Records - Means the land records of the Clerk of the local jurisdiction of Maryland Circuit Court.

Maryland Clean Energy Center – An instrumentality of the state created with an economic development mission that sponsors the MDPACE Program.

MDPACE Program or Program - The C-PACE financing program established in the State of Maryland which facilitates the financing of Qualifying Project Improvements and provides for a Surcharge Lien to be levied and recorded against the Property to secure the C- PACE Loan.

MDPACE Standard Offer - The document executed by the Program Administrator and Capital Provider that defines the terms in which the Program Administrator designates the private lender or financial institution as a registered Capital Provider in the Program.

Mortgage Holder Consent or Lender Consent - A written consent agreement executed by the holder of each existing lien, mortgage, or deed of trust on a Qualified Property that is the subject of a C-PACE Loan, which allows the C-PACE Surcharge to have senior priority over any existing lien, mortgage, or deed of trust, other than real property taxes.

Pre-Application - The initial application completed by a Property Owner by which the Program Administrator can determine whether the proposed Project is located on a Qualifying Property and that the prospective Property Owner is aware of the Program requirements. Approval of a Pre-Application is required prior to submittal of the Final Application.

Program Administrator - Abacus Property Solutions, LLC, Inc. (Abacus).

Project Developer - An individual or company that assists the Property owner in developing the scope of the Project and/or assisting in arranging C-PACE Loans.

Program Guidelines - Document that outlines the requirements of the MDPACE Program.

Program Manager - The local government Administrator, or such person designated in writing by the local government Administrator to supervise the Program and act as liaison with the Program Administrator.

Program Sponsor - The Maryland Clean Energy Center (MCEC).

Programmatic Documents - The Ordinance enacted by a County, the Commercial Property Assessed Clean Energy (MDPACE) Agreement executed between the local government and the Program Administrator, and the MDPACE Program Guide.

Project Portal - A web portal containing all documents, applications, and instructions required to be approved for C-PACE Loans offered through the C-PACE Program Administrator.

Property Owner - The 100% owner of Qualifying Property who obtains a C-PACE Loan from a Capital Provider under the Program in accordance with the Program Guidelines or the successor in title to the original Property Owner. The holder(s) of a long-term leasehold interest in a Qualifying Property may also qualify.

Qualifying Project Cost or Project Cost - A cost necessary to install a Qualifying Project Improvement to complete a Qualifying Project which consists of Hard, Soft and Ancillary Costs.

Qualifying Project Improvement(s) - A specific improvement or multiple improvements installed as part of a Qualifying Project on a Qualifying Property.

Qualifying Project or Project - A project that is approved by the Program Administrator in one of the following categories:

1. Energy efficiency
2. Water efficiency
3. Renewable energy
4. Resiliency
6. Environmental remediation

Qualifying Property - An assessable parcel or parcels of commercial real estate located within a County participating in the MDPACE Program, with all buildings located or to be located thereon, whether vacant or occupied, whether improved or unimproved, and regardless of whether such real estate is currently subject to taxation by the locality, other than a residential property with used for human habitation and is improved by more than four single family dwelling units.

Registered Contractor - A business or organization that has registered with the Program to provide services to Property Owners. Examples of Registered Contractors include general contractors, HVAC installers, lighting contractors, solar developers and installers, energy engineering firms, commissioning agents, and licensed engineers and architects.

Servicing Fee - A fee that is collected annually with the C-PACE Payment over the term of the C-PACE Loan if the C-PACE Program Administrator services the C-PACE Payments. (See [Section 5.0 Program Fees](#) for further details).

Soft Costs - Indirect costs that are not considered direct construction costs but are necessary to complete the Project.

Statement of Levy and Lien of Surcharge Agreement - The agreement between the Borrower, local government, and Capital Provider, and their respective successors and assigns, which includes the terms and conditions for participation in the Program; the Property Owner's acknowledgment and consent for the County to impose a voluntary special assessment and record a SLL against the Property Owner's Qualifying Property; and a summary of the terms of the C-PACE Loan.

Surcharge or C-PACE Surcharge - A tax charged to fund local improvements and applies only to properties that will benefit from the improvements. With a C-PACE Loan, a charge is levied by the County against the Qualifying Property and for the benefit of the Qualifying Property at the request of the Property Owner.

Surcharge Payment - The periodic installment payments of the C-PACE Loan by a Property Owner, due and payable to the County as permitted by the C-PACE Act in such amounts and at such times as described in the SLL and Financing Agreement.

Surcharge Payment Schedule - The schedule of Surcharge Payments necessary to repay the C-PACE Loan over the C-PACE Term, attached to and incorporated into the Statement of Levy and Lien of Surcharge Agreement and Financing Agreement.

Surcharge Processing Agreement - An Agreement between MCEC and the Capital Provider that defines the terms of a specific C-PACE loan.

Technical Reviewer - The entity or individual approved by the Program Administrator to certify that the project analysis/supporting documentation are Qualifying Project Improvements and meet the requirements of the Program, C-PACE Act, and applicable County Ordinance.

Term - A period beginning on the effective date of the Statement of Levy and Lien of Surcharge Agreement (SLL) and Financing Agreement and ending on the date on which the C-PACE Loan and any other amounts owed have been repaid in full in accordance with the SLL and Financing Agreement which includes the Surcharge Payment Schedule (Amortization Schedule).

Transactional Documents - The suite of documents necessary to apply for and close a C-PACE Loan.

Weighted Average Expected Useful Life (EUL) - This is the weighted average of the estimated lifespan of the Qualifying Project Improvements.

Appendix B: Common Qualifying Project Improvements

Qualifying Project Improvements for the expanded MDPACE Program include energy efficiency, water efficiency, renewable energy devices, resiliency, and environmental remediation measures installed as part of a Qualifying Project. Any deviations from these Qualifying Project Improvements legislated at the local level are delineated in the MDPACE County Matrix in [Appendix F: Supplemental information](#).

Energy Efficient Improvements

The following list of predominant, long-standing, proven energy efficiency technologies, water conservation technologies, and renewable energy generation systems is intended as a reference list and can change at any time. If not included on this list, the C-PACE Program Administrator will review proposed Qualifying Project Improvements and accept them on a case-by-case basis.

- High efficiency lighting
- Heating ventilation air conditioning (HVAC) upgrades
- New automated building and HVAC controls
- Variable speed drives (VSDs) on motors fans and pumps
- High efficiency chillers
- High efficiency boilers and furnaces
- High efficiency hot water heating systems
- Combustion and burner upgrades
- Fuel switching resulting in an overall reduction in the number of BTUs required to achieve a given end use
- Heat recovery, including air, water, or steam condensate heat or energy recovery
- Steam traps
- Building enclosure/envelope improvements
- Building automation (energy management) systems

The following end-use savings technologies are more applicable to industrial facilities:

- New automated process controls
- Heat recovery from process air and water
- Cogeneration used for peak shaving
- Process equipment upgrades
- Process changes

Shown below are key aspects of some of the most applied technologies listed above, with their typical simple payback range. These payback ranges are only provided for informational purposes and should not be construed as a guarantee of performance or requirement for C-PACE Financing eligibility.

Automated Building and HVAC Controls

- New electronic controls which are more precise and reliable when compared to old controls that may still be pneumatic systems based on compressed air
- Automated lighting, chiller, boiler, and HVAC operation including
 - Load management, including load shedding, scheduling, and other building-to-grid interactive features;
 - Optimal start/stop/warm up
 - Ventilation control
- Whole-building energy management systems, which may come with other advanced control technologies, such as:
 - Security, fire, and life safety
 - Alarm monitoring and report generation
 - Preventive maintenance scheduling
- Remote monitoring/metering capabilities
- Plug-load controls

Boilers

- Replacement of steam with hot water boilers for hot water heating loads; including heat pump water heaters
- Improved maintenance
- Optimized operation/staging in multiple boiler plants
- Optimized boiler controls
- Tuning or replacement of burners
- Addition of small “pony” boilers for low loads, which result in
 - Reduced fuel consumption/energy costs
 - Reduced emissions
 - Reduced maintenance costs
 - Higher reliability

Building Shell and Fenestration

- Roof insulation, which, when combined with reflective roof coatings in warm climates, reduces energy consumption
- R review of building pressurization for proper ventilation
 - Balance exhaust and intake air quantities
 - Add weather-stripping on doors and windows
 - Seal cracks and unnecessary openings
- Window films to reduce solar heat gain and/or heat loss
- Replacement windows with more energy efficient glazing
- Present value of the embodied energy in the building envelope

Chillers

- New chiller models, which can be up to 30-40 percent more efficient than existing equipment
- Upgrades of lead chiller(s) (base load) to high efficiency
- Management of chiller and condenser settings to minimize compressor energy
- Optimization of pumping energy for the distribution of chilled water

- Optimization of HVAC operation to
 - Improve temperature/humidity control
 - Eliminate unnecessary cooling loads
- CFC reclamation program/inventory
 - Chiller replacement may achieve both CFC management and energy efficiency objectives

Heat Recovery

- Heat recovery devices to capture waste heat from water, process heat and exhaust air to re-use it for preheating of
 - Building intake air, including energy recovery units, heat pipes, enthalpy wheels or similar
 - Boiler combustion air
 - Boiler feedwater
 - Inlet water for domestic hot water

HVAC

- New packaged units for increased efficiency and indoor comfort
- Heat pumps
- Proper sizing of HVAC equipment
 - Full-load operation is more efficient than part load operation
 - consider fan capacity reduction or staging of two (2) smaller units rather than partial loading of one large unit
- Installation of VSDs on HVAC motors
- The balancing of air and water supply systems (by installing economizers and direct digital controls) which removes trouble spots demanding inefficient system operation
- Improves maintenance and eliminates simultaneous heating and cooling
- Variable air volume conversions, which differ significantly from constant air flow
- Ventilation reduction (when possible and not below ventilation rates required by USBC)
- Unoccupied shutdown or temperature setback/setup (controls)

Lighting

- Daylight controls and natural daylighting designed to reduce energy and improve visual comfort
- Upgrades for existing fluorescent fixtures including electronic ballasts, T8 lamps, reflectors, and the installation of LED bulbs and fixtures
- Timers and occupancy sensors for meeting rooms and other intermittently occupied spaces
- Smaller impact opportunities including security lighting, stairwell lighting, exterior night-time security lighting, and exit signs

Motors

- High efficiency electric motor replacements
 - The cost premium over standard motors normally can be recovered in less than two (2) years
- Motor sizing to the actual load profile to improve efficiency and control electrical power factor

Refrigeration

- Improvements to refrigerated cases and walk-in coolers to improve efficiency and decrease waste
 - Additional insulation, anti-sweat heater controls, auto-closers for cooler/freezer doors, case-lighting controls, improved defrost controls, suction line insulation, etc.

- Thermal Storage Systems (for load shifting)
- Compressors (VFD and controls, heat recovery, mechanical sub-cooling, evaporative condensers)

Variable Speed Drives

- VSDs applied to motors, pumps, and fans
 - Matches motor use to variable operating load
 - Can save up to 40 percent in power consumption
 - Can be packaged with controls
 - Extends motor life

Water Usage Efficiency Improvements

- Replacement of toilets, urinals, and other bathroom fixtures which can greatly impact domestic water use
- Replacement of pre-rinse valves, dishwashers, and icemakers in commercial kitchens, which can save water
- Upgraded laundry equipment in commercial properties and Laundromats
- Installation of cooling towers, condensers, and steam boilers HVAC systems, which can reduce water consumption
- Installation of new equipment in car washes to achieve 80-100% recycled water use or utilization of applicable gray water sources, film and x-ray processing, and high-tech manufacturing which can reduce industrial water consumption

Renewable Energy Improvements

- Solar photovoltaic power
- Solar thermal
- Wind power
- Geothermal energy
- Fuel cell
- Combined heat and power
- Solar battery storage
- Voltage optimization devices
 - Savings may be achieved by reducing energy lost during the transmission and transformation processes

Resiliency Improvements

- Stormwater management systems
 - Green roofs
 - Blue roofs
 - Pervious pavement/pavers
 - French drains
 - Rainwater capturing systems and other stormwater management systems as approved by the Maryland Best Management Practices (BMP) Clearinghouse, or the Chesapeake Bay Basin wide BMP Verification Program

- Wind
 - Wind resistant felt underlayment
 - Existing roof-structural-framing-member-to-wall connections (e.g., hurricane straps)
 - Commercial doors including roll-up, overhead, and sectionals
 - Reinforced gutters and downspouts
 - Hurricane shutters
 - Wind resistant shingles
 - Secondary water barrier
- Flood mitigation/inundation adaptation
 - Relocation of HVAC, plumbing, servers, electrical rooms, backup generators, and other critical infrastructure above the height of expected flood levels
 - Dry flood protection such as flood gates, walls, or doors, inflatable barriers
 - Direct Costs to build > 3 feet above base flood elevation
 - Infrastructure to raise equipment above 3-foot freeboard
 - Site Perimeter floodproofing
 - Flood vents
 - Floating foundations
 - Thermal protection/insulation
 - Sump Pumps (permanent)
 - Backwater Valves
 - Waterproof or water-resistant materials for flooring, foundation etc.
 - Windows and doors on ground level to be watertight
 - Elevators to include water detectors that stop the elevator above flood inundation levels;
 - Elevating sites
 - Sea walls
- Electric vehicle charging stations
- Electrical upgrades necessary to install EV charging stations
- Energy Storage systems

Environmental Remediation Improvements

- Asbestos remediation in tiles, ceilings, and other interior building areas
- Mold remediation of walls and ceilings
- Removal of lead paint in building interiors
- Replacement of lead water piping
- Protect water piping from contamination due to flooding
- Ultra-violet lamp systems in air handling units or hospital rooms

Non-Qualifying Project Improvements

- Improvements that are not permanently installed and can be easily removed
- Any measure that cannot be explained in terms of industry-standard engineering or scientific principles

Appendix C: Program Fees


Closing Fee

- 1.05% of Surcharge Amount
- Minimum Fee: \$3,300

Servicing Fee

- 1.5% of Annual Surcharge Amount
- Minimum Fee: \$300
- Maximum Fee: \$2,000

Appendix D: Checklist

 MDPACE Project Approval Checklist	
APPLICATION	
Pre-application for C-PACE Financing	Create credentials in Project Portal . Pre-approval will be confirmed via email and logged into system. Program Administrator (PA) will contact Property Owner (PO) if there are issues with Pre-Application
Final Application for C-PACE Financing	Complete in Project Portal. Documentation must be uploaded at this time.
Property Information Detail - Property Card	PA will confirm property information detail including verification of property address. Capital Provider (CP) may also provide information by creating an account with the Maryland Property Office (SDAT). https://mdlandrec.net/
Property Owner Tax History (3 years)	Documents verifying owner is current on property taxes.
Technical Project Analysis Documentation provided by Technical Reviewer to Program Administrator	<ul style="list-style-type: none"> - Certificate of Qualified Improvements - Technical Data Worksheet - Supporting documentation from energy audit, renewable energy feasibility study, resiliency, and environmental remediation project
Signed Installation Contract(s)	Must include estimated costs
Registered CP Offer to Fund	Term sheet or similar
Title Report or Commitment	Must be current within 60 days of project approval
Property Value determination	Appraisal, Assessed, other as listed in Program Guidelines
Mortgage Holder Consent	If applicable
Documentation of Mortgage Release	If applicable
Documentation of Mortgage Balance(s)	Copies of most recent mortgage loan statement(s) for all current loans or mortgage commitment on Property to determine current loan-to-value ratio
MDPACE Disclosures and Risks Form	Share with PO and return signed copy to PA
Property Owner Affidavit	PO to sign
Public Information Request	PO to sign
Conditional Approval Letter from Abacus	Application complete and can initiate closing documents
CLOSING	
Executed Surcharge Processing Agreement (SPA) and Standard Offer (SO)	CP sends signed SPA to PA for review and execution prior to submission of SLL for every project; CP sends signed SO only if first project in Program
Executed Statement of Levy and Lien (SLL) and Clean Energy Loan Financing Agreement (FA)	CP sends to PA to review; PA sends back if modifications required (PO signatures can be held in escrow and inserted after PA approval)
Final Approval Letter from Abacus	PA sends Letter to County with executed SLL and exhibits including FA. Indicates Project is ready to close.
Closing Fee Paid to Abacus and any other required fees per location and project	Wire addressed to Abacus Property Solutions, LLC. Payment and wiring information will be provided in an invoice from Abacus Property Solutions.
Executed SLL Agreement by County	PA sends SLL to County. County executes and returns to parties.
POST-CLOSING	
Recording of documents in Land Records	CP will record SLL and exhibits, if applicable, and send fees/taxes to County
Recorded documents to PA	CP provides to PA; used to service loan.
Notice to Commence Levy and Lien of Surcharge	Issued by MDPACE Program after SLL is recorded in Land Records
Completion Certificate	Provided to PA by PO or CP at Project completion
<p>Please obtain these documents in the Program Guidelines or from md-pace.com.</p> <p style="text-align: right;">Checklist Current as of June 2022</p>	

Please obtain Checklist Documents from md-pace.com.

Appendix E: Program Documents

To access the documents, either click the links below or go to <https://md-pace.com>.

[Programmatic Documents](#)

[Transactional Documents](#)

Appendix F: Supplemental Information

- [State Statute](#)
- [List of County Application and Recording Fees](#)
- [Resiliency Compendium](#)
- [MDPACE County Matrix](#)
- [Savings to Investment \(SIR\) Requirements](#)