County FAQs for Oklahoma C-PACE

What is a Commercial Property Assessed Clean Energy (C-PACE) program?

C-PACE is a financing tool to finance energy improvements on commercial property. Eligible projects include retrofits and new construction projects. C-PACE financing is based on the principle that commercial energy efficiency projects – such as installing high efficiency lighting systems, automated building controls, or improving a building's heat recovery system – result in public benefits by reducing operating costs and improving property, similar to other infrastructure improvements like sewers and roads. C-PACE projects create construction jobs, encourage economic development and improve building quality standards.

Like other project financing, C-PACE uses financing to pay for the upfront costs associated with energy improvements. By lowering that property's energy expenses, C-PACE makes the building more inviting to tenants and, consequently, more valuable. Unlike other project financing which is shorter term and recourse to a property owner's business, the C-PACE financing is repaid overtime via a voluntary special assessment on the property.

The security provided by the special assessment, a long-standing and well-established mechanism, results in longer term financing (often 20 or more years). A key component in C-PACE lending is the transferability of the loan and repayment obligations. Should a property owner sell the building, the unpaid assessment lien transfers to the property owner who purchases the improved building.

Why does C-PACE matter for state and county governments?

No public dollars are invested in C-PACE projects. C-PACE financing comes from private capital providers; the special assessment that secures the assessment is facilitated by the county government using existing processes.

More than 35 states have adopted C-PACE enabling legislation because of the opportunities for private investment in local businesses, energy and cost savings, and construction job creation. C-PACE enabled counties attract private economic development investment dollars.

In short, C-PACE drives private sector investment in your county, spurs economic development, creates energy efficiencies and energy jobs, and improves commercial property values, all without the need for public funding.

What is C-PACE in Oklahoma?

To create an active program, counties must pass resolutions establishing a program locally and authorizing C-PACE voluntary special assessments on qualifying properties to secure financing for qualifying energy efficiency projects. Oklahoma C-PACE has a template County Resolution available here. Tulsa County became the first in Oklahoma to pass a resolution in September 2019 expressing intent to implement C-PACE. The Indian Nations Council of

Governments (INCOG) worked with Tulsa County and other partners throughout the state to create a C-PACE Program Administrative Framework that works statewide for any county choosing to initiate a program. This Administrative Framework provides a uniform set of documents and best practice administrative procedures for C-PACE in Oklahoma. Consistency in policies, procedures and guidelines throughout Oklahoma assures streamlined processes for counties and program participants.

Who is INCOG and what is their role?

INCOG is a voluntary association of local and tribal governments in the Tulsa metropolitan area in northeast Oklahoma. Established in 1967, INCOG is one of 11 Councils of Governments in the State of Oklahoma, and one of several hundred regional planning organizations across the country. INCOG provides planning and coordination services to assist in creating solutions to local and regional challenges in such areas as comprehensive planning, transportation, community and economic development, environmental quality and energy programs, public safety, and services for older adults. INCOG serves Creek, Osage, Rogers, Tulsa, and Wagoner counties, more than 50 cities and towns located in those counties, and the Cherokee, Muscogee (Creek), and Osage Nations.

Partnering with Tulsa County, Oklahoma Department of Commerce, and Oklahoma Office of the Secretary of Energy & Environment, INCOG developed the Oklahoma C-PACE Program Administrative framework to work for any county interested in opting in.

Is C-PACE a new concept?

C-PACE has been operating in other states for more than a decade. Its basic concept is not really new. Counties typically fund public improvements by issuing general or revenue-specific obligation bonds for projects like sidewalks, sewers, or schools. County treasurers collect and enforce the property taxes and other special assessments in order to pay the private entities that purchase these bonds. C-PACE financing shares the basic concept with some **key differences**:

1. no public funds or borrowings are **required** for C-PACE and counties have **no financial liability** to pay C-PACE assessment lienholders.
2. **Counties are not responsible for the billing and collections of annual C-PACE assessment payments**; and
3. C-PACE financing is an entirely free and voluntary arrangement for property owners, while individual property owners must pay their property taxes and public special assessments even when they disagree with the use of those taxes.

What are the costs to county government?

C-PACE programs are administered at no cost to the county government. County governments that establish a C-PACE program typically outsource the day-to-day work of administering a program to third-party C-PACE Administrators. The Oklahoma C-PACE Program framework establishes INCOG, by memorandum of agreement, as Program Administrator for the county.

Program administration is compensated by the property owner through the fees paid in the project application review and C-PACE project closing process. Additionally, the private capital providers handle billing and collections for the C-PACE assessment, not the county.

Who determines the eligibility of a C-PACE project?

Every C-PACE project is reviewed four times to assure it is financially sound and worthwhile.:

1. As C-PACE Program Administrator, INCOG will review the project and property against the Oklahoma C-PACE Program Guidelines, state and federal law, and the resolution adopted by the county. If the project passes review and is recommended for approval, INCOG will submit the project to the county for BOCC approval.
2. Any senior mortgage holder must consent to the levying of a C-PACE assessment.
3. A professional energy auditor must provide a written technical review of the measures being financed.
4. A capital provider underwrites the project and puts its own funds at risk of loss.

What is the level of effort for county government and what are the risks involved?

In the extremely unlikely event a building owner is deficient or delinquent on their C-PACE assessment, the county government is not responsible to cover the shortfall. Counties neither bill nor collect annual C-PACE assessment payments. They do however, work with the Program Administrator to assure recordation of the assessment to the land records. Only upon the rare occasion of a C-PACE lien foreclosure would the county government receive funds for and remit delinquent C-PACE assessmentpayments.

C-PACE programs are used primarily to support large, energy efficiency retrofits or the construction of new green buildings. Counties typically can expect a small handful of projects to execute a new C-PACE assessment in a given year. For example, throughout the state of Texas, the C-PACE program has closed 28 projects since 2016 statewide.

What are the considerations to take into account if a property benefitting from a C-PACE isdelinquent in payment of property taxes or C-PACE assessments?

- C-PACE financial defaults are extremely rare. According to the US Department of Energy, "Since 2008, only one C-PACE project has defaulted out of about 1,870 completed projects."

- C-PACE assessments must be consented to by senior mortgage holders on the property. Since a senior lender would only agree if the project increased the value of the underlying property and if the owner has sufficient income to pay the assessment amount, the risk of default is extremely minimal. The senior mortgage holder is an independent evaluator of the project's value and likelihood of success.

- C-PACE properties are commercial properties of high value, and therefore counties both have a strong motivation to return these properties quickly to the tax rolls. In the extremely rare event a foreclosure occurs, county governments will not have financial liabilities to pay accruing C-PACE assessment payments during such time as the county government has taken title to the property.

- A senior mortgage holder has a much larger debt outstanding secured by the property thanthe amount of unpaid property taxes, and typically, the mortgage holder will pay the countyfor any unpaid taxes so there is no loss of revenue to county governments. The mortgage holder advances the unpaid taxes and adds that amount to the loan to preserve control of the sale of the property. This process is standard in the banking industry so the mortgage holder can conduct an orderly disposition rather than a distress auction of the property.