

**Rhode Island Commercial Property Assessed Clean Energy (C-PACE) Program
RI C-PACE Program Capital Provider Application for Participation**

The Rhode Island Infrastructure Bank (RIIB) and its C-PACE Program Administrator¹ (PA) are seeking Qualified Capital Providers (QCPs) for the RI C-PACE Program (PROGRAM). QCPs are defined as banks or other lending institutions which have received prior approval from the RIIB to provide financing for C-PACE projects that have been approved for funding by the PA.

The PROGRAM will not use taxpayer funds to finance C-PACE Projects (PROJECTS). It will support the work of the PA to build and maintain the PROGRAM infrastructure and the PACE Data Management Platform (PDMP) needed to assess project technical and economic feasibility. In addition, the PDMP platform will generate the documentation necessary to inform and help achieve mortgage holder consent required for C-PACE financing. It will also support QCPs wishing to finance PROJECTS.²

The QCP selected by the building owner will enter into a Financing Agreement which will enumerate the “RIGHTS” to be assigned to the QCP for the term of the payment obligation, which may, depending on the useful life of the project, extend up to 25 years. Such RIGHTS, including foreclosure, will be assigned by the RIIB as evidenced by the lien recorded on the subject property.

Rhode Island is taking an open market approach to the PROGRAM. RIIB will not grant exclusive access to any single capital provider. This open market approach will offer multiple financing options to building owners, enabling the RIIB to achieve its mission of making financing accessible and affordable. QCPs will be provided an opportunity to bid on projects as they are originated through the PROGRAM.

RIIB will have draft standard Financing Agreements, C-PACE lien documents, and mortgage lender consent documents and will also review and approve Financing Agreements and mortgage lender consent documents provided by the QCP. QCPs will have an opportunity to comment on the PROGRAM’s standard documents upon submission for specific projects; however, all legal documentation shall remain subject to RIIB approval.

1. RI C-PACE Background:

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

For a project to be eligible for PROGRAM financing, the following conditions must be met:

- a) Mortgage Holder Consent

¹ Sustainable Real Estate Solutions, Inc. (SRS)

² C-PACE financing has two significant advantages: (1) the projects are generally cash-flow positive, and (2) credit risk is reduced by the attachment of the C-PACE lien to the property. Given the high security of the C-PACE lien, the PROGRAM permits QCPs to utilize prudent underwriting criteria that are focused on the credit-worthiness of the property rather than the owner.

The PROGRAM requires that prior to the imposition of the C-PACE lien, which will be senior in priority to all commercial mortgages on the property, commercial property owners must receive and provide to the PA written consent of the existing holder of mortgages of deeds of the trust on the property.

b) Building Eligibility

In order to be eligible for PROGRAM financing, the property seeking financing must meet the following requirements:

- The property must be located within the boundaries of a municipality that has adopted a resolution to join the PROGRAM and signed the requisite legal agreements with the RIIB.
- The applicant must provide evidence that it is the legal owner of the property and that all the legal owners of such property agree to participate.
- The property must be a nonresidential property. Multifamily properties containing five dwelling units or more are eligible.
- The property must have a property tax identification number. For building owners who are exempt from property tax liability, the municipality must agree to issue a property tax ID for collection purposes.

c) Project Eligibility

C-PACE transactions eligible for financing must include PROGRAM approved energy efficiency, renewable energy, water conservation, or other environmental health and environmental safety improvements. For more information see the [Program Guidelines](#).

d) Program Operations

Upon approval by the PA of the property and project for financing, the QCP will enter into a Financing Agreement with the property owner that will identify all terms of the transaction including, but not limited to:

- i) Term of repayments
- ii) Quarterly payment amounts
- iii) Collection through municipal property tax bill infrastructure
- iv) Delinquency and default consequences, including foreclosure
- v) Non-acceleration of obligation
- vi) Transferability of obligation upon sale or other transfer of ownership
- vii) Assignability of Financing Agreement rights to the QCP
- viii) C-PACE lien recordation on property title
- ix) Identification of additional contracted parties, responsibilities and authorizations on behalf of RIIB.

2. Underwriting Standards:

The RIIB and PA have not (and will not) set strict project underwriting criteria. At a minimum, QCPs shall utilize underwriting criteria that include but are not limited to the following:

- a.) Total property-related debt to property value ratio (Total property-related debt includes mortgage debt, the C-PACE financing and any other obligations secured by the property). The

property value which may be established as either (i) the assessed value of the property, or (ii) its appraised value, as supported by a recent appraisal. In either case, the property's value may include the enhanced value of the property resulting from the installation of the improvements being financing with C-PACE.

- ✓ Capital Provider shall identify acceptable ratio.
- b.) The property owner has been current on its property tax and assessment payments.
- ✓ Capital Provider shall identify required period of time for current payments, and any exceptions, e.g. newly owned property.
- c.) The property owner must not have any involuntary liens, defaults, or judgments applicable to the subject property. A property owner may be able to participate if it can demonstrate that there is an acceptable reason for the lien, default, or judgment and provide supporting documentation.
- ✓ Capital Provider shall identify allowable exceptions and required documentation.
- d.) The property owner(s) or their affiliated companies have not been a debtor in a bankruptcy.
- ✓ QCP shall identify bankruptcy look-back timeframe.
 - ✓ Under no circumstances shall a C-PACE lien be allowed on a property that is subject to bankruptcy proceedings, regardless of owner qualifications.
- e.) Cash flow generated by the property.
- ✓ Identification of how QCP will determine property owner's ability to make the Special Assessment fee payments as established in the Financing Agreement and secured by the C-PACE lien. Such determination is at the discretion of the QCP but could include QCP standards for an SIR or DSCR.

3. PACE Assessment Recording, Billing, and Collection

Upon receiving written notice from the RIIB the Municipality shall promptly levy the PACE assessment against the qualifying commercial real property to be benefited by the energy improvements financed by QCP and described in the Financing Agreement, and shall place a lien on the qualifying commercial real property to secure payment of the PACE assessment. RIIB will assign the PACE assessment to the project's capital provider.

The RI C-PACE program has developed a centralized billing and collection process for PACE Assessments. RI C-PACE has contracted with Vision Government Solutions (VISION) to provide centralized billing of the PACE assessments. The Municipality, acting by and through VISION, shall bill the PACE assessments in the same manner as it bills its real property taxes or other municipal assessments. The PACE assessment payments shall be a separate bill and shall be due on dates mutually agreeable to the RIIB and the Municipality.

Payments of the PACE assessments collected by the RIIB through a lock-box collection system on behalf of the Municipality shall be segregated from all other funds of the Municipality and deposited in a separate account for the benefit of the RIIB and identifying the RIIB as the beneficial owner. The Municipality disclaims any ownership interest or other interests in such account or the amount collected.

4. Becoming a Qualified Capital Provider:

Any lender interested in offering C-PACE financing in Rhode Island must provide information adequate to become a QCP through the PROGRAM. At a minimum, content of qualification responses shall contain the information provided in Section 6, including identification of underwriting criteria in compliance with the items described in Section 2, and financial statements.

Privately-held firms may identify financial statements as CONFIDENTIAL in order to have any such information reviewed for qualification but not publicly released.

5. Statement of Qualifications Submission Process:

- QCPs must submit their information by email only to: mbaer@riinfrastructurebank.com
- There is no deadline by which QCPs must submit a Statement of Qualifications
- RIIB or the PA will inform each respondents of its status within two weeks of receipt of a QCP's Statement of Qualifications submission.

6. Content of the Statement of Qualification:

QCP responses should include the following:

- a.) Transmittal letter from an appropriate officer of your institution which:
 - (i) Confirms interest to provide financing for C-PACE projects
 - (ii) Indicates the key point of contact for your institution for follow-up discussions.
- b.) The name of the principal regulator(s) of your institution (such as, Federal Reserve Board, the OCC, etc.). If not a regulated firm or financial institution, provide the names, titles, emails, and direct telephone numbers of three professional references for the firm or, if recently formed, for the firm's principal partners.
- c.) Further background on your institution (including years in business and total assets) that demonstrate the capabilities and interest to provide financing for the C-PACE projects.
- d.) Staffing and personnel that can be devoted to these transactions.
- e.) Amount of capital your institution would be willing to provide to the Rhode Island C-PACE market. This number will be non-binding.
- f.) Statement of experience with lending for energy and water efficiency improvements as contemplated herein. Please indicate if your institution currently provides financing for other PACE Program(s), which one(s) and amount financed to date.
- g.) Expected terms for C-PACE financing include:
 - a. Basic structure, tenors, min./max. sizes, payment schedules, prepayment options, etc.
 - b. Typical interest rates (range) and any additional fees
 - c. General underwriting guidelines, credit standards and security requirements.
Underwriting guidelines must include the following factors (also shown, Section 2):
 - i. Total property-related debt to property value ratio (property-related debt includes mortgage debt, the C-PACE financing and any other obligations secured by the property)
 - ii. The property owner has been current on its property tax and assessment payments
 - iii. The property owner must not have any involuntary liens, defaults, or

- judgements applicable to the subject property
- iv. The property owner or affiliated companies have not been a debtor in bankruptcy
- v. Cash flow generated by the property prior to the placement of the lien
- d. Underwriting procedures, including turnaround times
- e. Construction financing procedures, including progress payment disbursements
- h.) Summary information about your institution's existing commercial real estate portfolio in RI and willingness, in principal, to consider financing cost effective energy efficiency, renewable energy and water efficiency investments that pay for themselves out of operating cost savings. This information will be kept confidential. Please mark this section "Confidential".
- i.) Financing agreements and lender consent documents.

Following review of the CP's Statement of Qualifications, the RIIB and C-PACE Program Administrator will contact respondents to schedule an interview to resolve any questions. Once the Statement of Qualifications has been accepted, the RIIB will provide the CP with a Participation Agreement. The RIIB and the PA will undertake discussions with the CP on use of marketing support information provided by the QCP, which may, at the sole discretion of the RIIB be included on the RI C-PACE website.