Last Best PACE Program Guidelines

Version 2.0

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COMMERCE

Last Best PACE

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1.0 Overview

1.1 Program Contacts

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1.2 Montana Facility Finance Authority

The mission of the MFFA is to enhance Montana healthcare and community capabilities through access to cost-effective capital financing and development services. The MFFA provides nonprofit health care providers with access to low-cost capital. The MFFA does this through access to tax-exempt bond financing, low-interest loans and planning grants for nonprofit healthcare organizations. The MFFA also works with Montana businesses that are looking to access capital to expand manufacturing and those looking to improve their energy efficiency, water efficiency, renewable energy or resiliency measures to support their business.

1.3 Legislative History

Welcome to the Last Best PACE, Montana's Commercial Property-Assessed Capital Enhancements Program. These guidelines are intended to help all parties involved in a C-PACE transaction understand how the Last Best PACE Program works.

In 2021, Gov. Greg Gianforte signed the Commercial Property-Assessed Capital Enhancements Act into law. The C-PACE Act, codified in Title 90, Chapter 4, Part 13, Montana Code Annotated, authorized the creation of a C-PACE Program to be administered by the Montana Facility Finance Authority, created in 2-15-1815, MCA. On Jan. 1, 2022, the MFFA launched the Last Best PACE Program to help building owners and property developers access private-sector financing for the installation of energy and water conservation measures and renewable energy systems. In 2025, the passage of Senate Bill 458 amended 90-4-13, MCA, adding public safety and resiliency improvements as eligible under the Program effective Oct. 1, 2025.

These guidelines meet the requirements of the program plan as outlined in Title 90, Chapter 4, Part 13, Section 05, MCA.

Defined terms are capitalized and can be found in the Program Glossary.

1.4 Program Overview

Last Best PACE is a voluntary program that enables the Record Owners (hereinafter referred to as Property Owners) of commercial, industrial, agricultural and multifamily buildings to use private-sector loans to finance eligible improvements to the property to reduce its energy or water use; utilize renewable energy to generate electricity or reduce the use of nonrenewable energy; and install modifications to improve a property's public safety or resiliency. To be considered eligible, improvements must be permanently attached to the property.

C-PACE can offer up to 100% financing for existing building retrofit projects and as much as 25-30% financing (subject to lender underwriting criteria) for new construction projects.

C-PACE projects are financed via owner-arranged financing from a private-sector commercial lender in an open market model. State and/or federal funds are not part of C-PACE financing. Terms and interest rates are set between the borrower and lender.

C-PACE financings made under the Last Best PACE Program are secured by a tax assessment on the property that is voluntarily imposed by the Property Owner. The C-PACE assessment is included as a separate line item in the annual property tax billing. Banks, credit unions and specialty private capital firms, known as capital providers, finance C-PACE projects. Any properties secured with existing debt must obtain Senior Lender Consent.

Financing terms can be fixed or variable rate and can extend up to 20-plus years. C-PACE financing is typically non-recourse, so the Property Owner is not required to provide a personal guarantee. New construction projects may require a guarantee during the construction phase. The financing is amortized over the projected useful life of the eligible improvements. The longer loan terms mean lower loan payments and allow improvements to be revenue neutral or even generate positive cash flow upon installation.

C-PACE assessments can follow title from one Property Owner to the next. Each Property Owner is responsible only for payment of the assessment accruing during its period of ownership. If, at the time of sale, the assessment continues, and is not paid off, the obligation for the remaining balance of the assessment is transferred to the next Property Owner. As a result, the Program can help Property Owners overcome market barriers which often discourage investment in efficiency, conservation, renewable and resiliency improvements.

The Last Best PACE Program relies on private capital to finance projects and does not obligate the State of Montana, the MFFA, the Last Best PACE Program or the Local Government to support or guarantee funding.

1.5 Key Parties in C-PACE Projects

Record/Property Owner	The legal owner of the eligible property upon which the eligible improvements will be installed.
Contractor	The licensed firm or individual meeting Program requirements and registered with the Last Best PACE Program to oversee, coordinate or complete the Energy Assessment, Independent Third-Party Review, and installation of the project improvements.
Lender	Party providing private-sector funds to finance the C-PACE project, including local and national banks, credit unions and specialty finance firms.
Senior Lender	Any entity that holds existing debt on the property where improvements will be installed.
Program Administrator	The Montana Facility Finance Authority (also referred to as “MFFA” and the “Authority”) is the statewide program administrator for the Last Best PACE Program. The MFFA is the primary point of contact for all parties involved in a C-PACE financing.

Local Government	The county, city, town, or consolidated city-county that establishes a C-PACE District within their jurisdictional boundaries.

1.6 Program Benefits

1.6.1 Property Owners

Last Best PACE helps building owners reduce their operating costs; improve the value and market competitiveness of their property; increase the net operating income of their building; minimize risk from disasters including, fires, floods, wind, stormwater and power outages; and assist with building air quality including, filtration, asbestos, mold, lead or radon.

Up to 100% Financing	Many owners lack the capital they need to pay for beneficial energy improvements and equipment upgrades. C-PACE solves this problem by providing up to 100% financing for eligible improvements.
Long-term Financing	While commercial real estate lenders typically provide five- to 10-year financing, the longer-term, fully amortized nature of Last Best PACE enables building owners to pursue more capital-intensive improvements. The maximum term is set by the weighted average effective useful life of the improvements and can be up to 30 years. In well-designed projects, the utility cost savings result in cash-flow positive projects.

No Personal Guarantees	C-PACE is property-based financing secured by a voluntary assessment (lien). As a result, the owner is typically not required to sign a personal guarantee.
Transfers Upon Sale	Owners who sell their property before the assessment is fully paid can transfer the repayment obligation to the next owner (like a sewer district assessment).
Cost Recovery	C-PACE may help solve the split incentive that arises between owners and tenants. Owners are less likely to install comprehensive energy or water conservation improvements when tenants receive the financial benefits (lower utility bills). Under some leases, C-PACE may enable landlords to pass on the benefits and the costs of the assessment to the tenants.
Tax Lien Security	C-PACE assessment liens are for outstanding assessments only, runs with the real property, and has the same priority and status as other property tax and assessment liens. Thus, C-PACE assessment liens have the same privileges in bankruptcy as property tax and assessment liens.

1.6.2 Developers

Commercial property developers can use C-PACE financing to reduce their weighted average cost of capital for new construction projects.

1.6.3 Contractors

C-PACE makes energy efficiency, water conservation, renewable energy and public safety and resiliency improvement projects economically attractive to Property Owners, so contractors who promote C-PACE can close more projects and grow their business.

1.6.4 Lenders

C-PACE provides a new product to offer customers, creating a new pipeline for capital project financing. C-PACE can complement senior debt or be offered as a standalone product. This product supports investments that reduce operating costs, improve business profitability, increase property value and enhance sustainability, thereby increasing the lenders' collateral value. In addition, higher performing buildings encourage better tenant attraction and retention.

1.6.5 Senior Lenders

C-PACE projects typically result in a building that will see increased net operating income, increased ability to meet debt service and a greater return on investment. Once the project is complete, the existing mortgage holder's loan is typically more secure due to the borrower's increased cash flow. In addition, the upgraded property is more valuable. Note also that the C-PACE assessment does not accelerate. In the event of a default, only the amount in arrears comes due.

1.6.6 Communities

C-PACE builds on a long history of benefit assessments that a government can levy on real estate parcels to pay for the installation of projects that serve a public purpose, such as sewer and fire protection districts. C-PACE serves the important public purpose of increasing economic efficiency, energy conservation, public safety and resiliency — all with private capital, and not taxpayer dollars.

2.0 Eligibility

2.1 Qualified Projects

2.1.1 Energy Conservation Project

Energy Conservation Projects require an energy analysis (see Energy Assessment section) to be completed by a third party to determine project cost and potential energy savings. The third party (see Registered Contractor section) completing the analysis must be a licensed or certified building professional approved by the Last Best PACE Program. Upon completion, the contractor who completed the project must submit written verification that the Energy Conservation Project was properly installed and is operating as intended.

2.1.1a Energy or Water Conservation Measure

A permanent Cost-Effective energy improvement fixed to real property, including new construction, and intended to decrease energy or water consumption and demand, including a product, device, or interacting group of products or devices on the customer's side of the meter that uses energy technology to generate electricity, provide thermal energy, or regulate temperature.

2.1.1b Renewable Energy System

A fixture, product, device, or interacting group of fixtures, products, or devices on the customer's side of the meter that uses one of more forms of renewable energy to generate electricity or to reduce the use of nonrenewable energy.

Renewable energy includes the following:

- Solar energy;
- Wind energy;

- Geothermal energy;
- Energy from the conversion of biomass;
- Energy from biogas;
- Energy from fuel cells that do not require a petroleum-based fuel;
- Energy from waste heat; and
- Cellulosic ethanol

The term includes a biomass stove but does not include an incinerator or a digester.

2.1.2 Public Safety and Resiliency Improvement

One or more fixed installations or modifications to eligible commercial real property that are designed to improve a property's public safety or resiliency by improving the eligible real property's:

- Structural integrity for seismic events;
- Indoor air quality;
- Durability to resist wind, fire, and flooding;
- Ability to withstand an electric power outage;
- Stormwater control measures, including structural and nonstructural measures to mitigate stormwater runoff; and
- Firearm storage infrastructure for use by the public pursuant to a firearm hold agreement as provided in 27-1-748, MCA

2.2 Eligible Applicants

Property Owners of eligible properties can apply to the Last Best PACE Program for a C-PACE financing. A Property Owner is the person or persons possessing the most recent fee title as shown by the records of the county clerk and recorder.

A person means an individual, firm, partnership, association, corporation, unincorporated joint venture, or trust that is organized, permitted, or existing under the laws of the state of any other state, including a federal corporation, or a combination of individuals, firms, partnerships, associations, corporations, unincorporated joint ventures, or trusts. The term “person” does not include a local government. Eligible applicants include individuals, business entities and nonprofit organizations.

2.3 Eligible Properties

Eligible real property is defined as a privately owned commercial or industrial facility, Multifamily Housing Facility (at least five units that are primarily intended for residential use, each with a full bathroom and a complete kitchen, attached or detached residences, and owner or renter-occupied), or agricultural property. A parcel of real property is eligible for C-PACE if it:

- Is in a Montana county, city, town, or consolidated city-county that has established or will establish a C-PACE District
- Has a property tax identification number within the C-PACE District
- Is on the property tax rolls, or eligible to be placed on the property tax rolls
- Is current on all taxes (to be verified by the MFFA prior to closing)
- Has no “mechanics” or similar liens against it
- Is not involved in any bankruptcy proceedings

Properties with multiple Parcel IDs require additional documentation and underwriting. Energy Assessments for these projects must include:

- Description of the method of allocating the payments between the parcels
- List of lots, blocks, tracts and parcels of land in the C-PACE project
- Amount of assessment on each parcel

The Last Best PACE Program reserves the right to deny properties with multiple Parcel IDs if any one of the Parcel IDs cannot support a prorate portion of a C-PACE project.

Ineligible property types are:

- Residential single family (one to four units)
- Residential condominiums (one to four units)
- Property owned by a homeowner's or condominium association
- Property owned by a local, state or federal government

2.4 Eligible Improvements

Improvements eligible under Last Best PACE must:

a. Be located on eligible real property owned by an eligible Property Owner
b. Be permanently fixed to the real property
c. Include energy efficiency improvement, water conservation measure, renewable energy improvement and/or public safety or resiliency improvement

2.4.1 Energy Efficiency Improvements

Examples include, but are not limited to:

- Insulation in walls, roofs, floors, foundations, or heating and cooling distribution systems;
- Storm windows and doors, including multiglazed windows and doors, heat-absorbing or heat-reflective glazed windows, coated window and door systems, additional glazing, reductions in glass area, and other window and door system modifications that reduce energy consumption;
- Automated energy control systems;

- Heating, ventilating, or air-conditioning and distribution system modifications or replacements;
- Caulking, weather-stripping, or air sealing;
- Replacement or modification of lighting fixtures to reduce the energy use of the lighting system;
- Energy recovery systems;
- Daylighting systems;
- Installation or upgrades of electrical wiring or outlets to charge a motor vehicle that is fully or partially powered by electricity;
- Fuel source changes that result in cost savings;
- Measures to reduce the usage of water or to increase the efficiency of water usage;
- Combined heat and power and waste-to-power projects;
- Ground-source heat pumps;
- Elevator modernization projects;
- Green roofs; and
- Any other installation or modification of equipment, devices, or materials approved as a utility cost-saving measure by the governing body.

2.4.2 Water Conservation Measures

Measure to reduce the usage of water or to increase the efficiency of water usage, including, but not limited to:

- Water efficient fixtures (low-flow faucets, toilets, etc.)
- Water conservation and wastewater recovery and reuse systems
- Water management systems and controls (indoor and outdoor)
- High-efficiency irrigation equipment

2.4.3 Renewable Energy Improvements

Examples include, but are not limited to:

- Solar photovoltaics (roof upgrade/replacement for rooftop systems may also be eligible)
- Solar thermal
- Geothermal (ground-source) systems
- Hydroelectric systems
- Small wind systems

2.4.4 Public Safety and Resiliency

Examples include, but are not limited to:

- Air filtration systems
- Asbestos remediation/abatement
- Lead paint remediation/abatement
- Mold remediation
- Radon abatement
- Fire protection or suppression system
- Battery storage
- Microgrid
- Seismic retrofits
- Systems that mitigate stormwater runoff

2.4.5 Other Eligible Expenses

The following costs may be rolled into the C-PACE Financing Agreement:

- Energy Assessments/Independent Third-Party Reviews
- Equipment and material costs
- Installation and modification costs
- Operation and maintenance costs
- Application and administrative fees
- Feasibility costs
- Design, drafting and engineering costs
- Permit fees
- Inspection charges
- Bank fees, legal fees, appraisal costs and recording fees
- Other costs the Last Best PACE Program determines to be reasonable

Self-installation costs do not qualify. The Last Best PACE Program evaluates costs on a case-by-case basis and may require additional documentation to validate reasonability.

2.5 Eligible Lenders

The Last Best PACE Program relies on private capital to finance projects and does not obligate the State of Montana, the MFFA, the Last Best PACE Program or the Local Government to support or guarantee funding. The selection of the C-PACE lender is up to the Property Owner.

C-PACE lenders extend loans to finance C-PACE projects. Participation in the Last Best PACE Program requires the Property Owner to work with an Eligible Lender to negotiate the terms of the C-PACE financing. Financing documents executed between the Property Owners and C-PACE lenders impose a contractual assessment on eligible property to repay the financing. The C-PACE lenders ensure the Property Owners demonstrate the ability to fulfill the financial obligation to be repaid through the contractual assessments. The Last Best PACE Program does not guarantee any

financing or provide any evaluation or analysis as to the credit worthiness of any given Property Owner or project.

The PACE Act does not set criteria for financial institutions or investors to be Last Best PACE lenders. The MFFA follows best practices within the C-PACE industry by recommending lenders be:

- A federally insured depository institution, such as a bank, federal or state credit union, savings bank and savings and loan association
- An insurance company authorized to conduct business in one or more states
- A Registered Investment Company, registered Business Development Company or SBA Small Business Investment Company
- A publicly traded entity
- A private entity that:
    - Has a minimum net worth of $5 million
    - Has at least three years' experience in business or industrial lending or commercial real estate lending (including multifamily lending), or has a lending officer that has at least three years' experience in business or industrial lending or commercial real estate lending
    - Can provide independent certification as to availability of funds

Eligible Lenders participating in the Last Best PACE Program must be a financially stable entity with the ability to carry out, either directly or through a servicer, the bookkeeping and customer service work necessary to manage the assessment accounts.

Emphasizing predictability and transparency, the Last Best PACE Program does not allow balloon payments for C-PACE loans. C-PACE loans must be either:

- Fixed rate for the full term of the financing
- Variable rate with rate resets limited to every five years

3.0 Requirements

3.1 C-PACE Districts

The Last Best PACE Program is available to eligible applicants located across Montana, subject to the applicable local government's one-time election to participate in the Program, by establishing a C-PACE District. A local government must authorize its participation in the Program through adoption of a final C-PACE resolution via the appropriate municipal process. Last Best PACE Program staff will coordinate and support the efforts to assist each local government that wishes to opt-in to the Program. Local governments interested in C-PACE should contact the Program directly.

In addition to the benefits the Property Owners receive by improving their properties, local governments also receive direct and indirect benefits, such as:

- Enhanced value and efficiency of existing buildings, thus increasing business retention and attraction
- A boosted economy by creating new opportunities for local contractors, engineers, commercial lenders, professionals, equipment vendors, laborers and manufacturers
- Increased commercial building values, thus increasing taxable property values
- Better prepared to meet energy/conservation/sustainability goals

Last Best PACE is designed to require minimal support from the local government. Local government's role in C-PACE is to establish a C-PACE District, bill and receive the assessment payment and remit the funds to the MFFA as the Program's statewide

administrator. Local governments are not responsible for and do not authorize participation in individual C-PACE projects.

Under Section 90-4-1306, MCA, once a local government is interested in creating a C-PACE District, the local government must:

1. Adopt a Resolution of Intent that includes:
    a. A statement of intent to establish a C-PACE program describing the role of the governing body and the role of the Authority in administering the program;
    b. The types of energy conservation projects or public safety and resiliency improvement projects that may be included in the program;
    c. A reference to the program plan required by Section 90-4-1305, MCA, and a location where the plan is available for public inspection; and
    d. The time and place for a public hearing on the proposed program.
2. Hold a public hearing at which the public may comment on the proposed program and the program plan required by Section 90-4-1305, MCA; and
3. Adopt a Resolution Establishing a C-PACE program and setting the terms and conditions of the program, including:
    a. How the governing body will meet the program plan requirements established by the Authority in Section 90-4-1305, MCA. The resolution may incorporate the program plan or an amended version of the program plan by reference;
    b. A description of the aspects of the program that may be changed without a public hearing and the aspects that may be changed only after a public hearing;
    c. Identification of an official authorized to enter into a program contract on behalf of the local government with C-PACE lenders; and
    d. Identification of an official authorized to enter into a program contract on behalf of the local government with Property Owners.

Templates of the resolutions can be obtained by contacting program staff or found on the Program's website, lastbestpace.com.

A local government may join with another local government or with any person by contract or otherwise to implement a C-PACE Program in whole or part. If a C-PACE Program is implemented jointly by two or more local governments, a single public hearing held jointly by the local governments meets the requirements in Section 90-4-1306, MCA.

3.2 Senior Lender Consent

Last Best PACE requires written consent of the existing holder(s) of a mortgage or other real property lien on the eligible property prior to closing on a C-PACE financing. The Program must have the following on file:

- An executed subordination agreement, properly notarized and executed within three months prior to the application for a contract;
- A record of the subordination agreement from the office of the county clerk and recorder in the county where the property is located; and
- A secretary's certificate or substantially similar certification that the person who executed the subordination agreement is authorized to sign such an agreement on behalf of the mortgage holder, trust indenture beneficiary, or loan servicer.

3.3 Energy Assessment

As a condition of financing, Last Best PACE requires an energy analysis to be completed by a third party (see Registered Contractor section) to determine cost and energy savings for Energy Conservation Projects.

3.3.1 Energy Conservation Measure

For projects, including new construction, intended to decrease energy or water consumption and demand, Energy Assessments may follow a methodology consistent with standard ASHRAE guidelines, be calculated using generally accepted engineering calculations or a U.S. Department of Energy-approved building energy modeling software and should address the following:

- Written project description, including property/building information
- Baseline energy/water consumption and cost
- Description of each improvement included in the proposed project, including the anticipated costs of purchase and installation, and estimated useful life
- Projected annual energy savings, electrical demand reduction, water savings, renewable energy capacity, renewable electrical production and operating cost assumptions
- Clear and logical documentation of assumptions for energy savings calculations
- Document assumptions and inputs to calculations (e.g., hours of operation, equipment efficiencies, lighting power, controls, load factors, power factor, motor efficiencies, etc.) and use consistently throughout any calculations, as appropriate
- Key numbers should be easily identifiable (circled, bold, highlighted, etc.) with proper units shown
- Copies of proposed equipment specs, data sheets, etc.

3.3.1a New Construction

Improvements in a new construction project must be above the minimum building codes adopted by the State of Montana to be considered eligible for C-PACE financing. The Energy Assessment for a new construction project should also include:

- Information supporting the above-code determination
- An itemized construction budget

3.3.1b Cost-Effectiveness

Energy Conservation Measures must be Cost-Effective to qualify for C-PACE financing. The Last Best PACE program considers a Cost-Effective project as one that benefits the Property Owner by ensuring their investment provides good value. This value may be demonstrated by the total cost of the financing being exceeded by the projected monetary savings over the life of the improvement or by improvements being made for the betterment of the property as determined by the Property Owner.

The cost-effectiveness determination examines the value of energy and water utility bill savings, operational savings, additional revenue, rebates, renewable incentives, tax credits and other improvements in the function and marketability of the property with respect to the value of the costs of purchasing and installing the improvements and any financing costs and associated fees for the C-PACE project.

For certain projects, the cost-effectiveness calculation will be completed by comparing the expected savings to the incremental costs of the project. For example, new construction project improvements must be above minimum code requirements to be eligible. To determine cost-effectiveness, a review is completed comparing the additional project costs and savings for eligible improvements to the costs and savings of base code improvements. Upon meeting the project's cost-effectiveness, the full cost of the project (not just the incremental amount) is eligible for C-PACE financing.

Estimates of savings and costs must be adequately documented in the Energy Assessment to substantiate the values. The Last Best PACE Program reserves the right to request additional documentation to verify estimated costs and savings.

3.3.2 Renewable Energy System

For projects on the customer's side of the meter involving improvements to use renewable energy to generate electricity or to reduce the use of nonrenewable energy, Energy Assessments should address the following:

- Written description of the project, including the proposed energy improvement and the site location
- Utility consumption profile of the site, including the historic energy use and cost
- Projected energy production and cost
- Total project capital costs
- Projected energy and financial cost savings to be generated by the project, including 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
- Utility tariff to be applied to the site and/or system following installation
- Utility rates increase assumptions
- Expected useful life of the system
- Expected maintenance expenses
- Tax benefits and other incentives
- Copies of proposed equipment specifications, data sheets, etc.

3.4 Independent Third-Party Review

Last Best PACE reserves the right to require an Independent Third-Party Review of the Energy Assessment to fully determine cost and energy savings. If required, the independent reviewer is selected by the Property Owner and cannot have a financial interest in the C-PACE project. The cost of a required ITPR is the Property Owner's responsibility and can be rolled into the C-PACE financing. The ITPR should include:

- Statement that the reviewer is qualified
- Statement that the reviewer has no financial interest in the project
- Statement from the reviewer that they believe the project is in compliance with the Last Best PACE Program Guidelines and standard engineering practices

In addition, as part of the underwriting process, the lender may, at its discretion, require an independent inspection and verification of qualifications, separate from the Last Best PACE Program requirements.

3.5 Contractor Requirements

Last Best PACE seeks to facilitate good, Montana-based jobs for contractors and their employees. Contractors providing required Last Best PACE Program documentation, such as Energy Assessments, ITPRs and documentation for Public Safety and Resiliency Improvements, as well as those installing the improvements and certifying completion, must be qualified professionals with appropriate knowledge and experience in their field.

To demonstrate these qualifications, contractors will typically hold an industry license, certification or credential, including, but not limited to, the following:

- Professional Engineer (PE)
- Licensed Architect
- Certified Energy Auditor (CEA)
- Building Energy Assessment Professional (BEAP)
- Solar PV/Thermal Installer
- Master Electrician
- Master Plumber

Contracts signed by Property Owners obtaining C-PACE financing must require contractors and subcontractors to use a skilled and trained workforce and to give preference to the employment of bona fide Montana residents, as defined in 18-2-401, MCA, in the performance of the projects, if the Montana residents have substantially equal qualifications to those nonresidents.

At a minimum, the general/lead contractor working on a C-PACE project must be an approved Registered Contractor with the Last Best PACE Program. It is strongly encouraged for any contractor working on a C-PACE project to be knowledgeable about the Last Best PACE Program.

3.5.1 Registration Process

- Contractor submits the Contractor Registration Form directly from the Program's website at lastbestpace.com.
- The Program reviews the registration form to verify the contractor meets the requirements and has accepted the Last Best PACE Program Contractor Terms and Conditions to make a final determination.
- Contractor is notified of the final determination.

Upon approval, the contractor will become a Registered Contractor for the Program. The contractor will be added to the Registered Contractor list on the Program's website. At this point, the contractor is also approved to use the Program logo on its website and in its marketing materials. Program logos can be obtained by reaching out to Program staff.

The Last Best PACE Program reserves the right to modify contractor qualifications. Contractors will be notified of the new requirements.

4.0 Financing

4.1 Purpose of Financing

4.1.1 Existing Building Retrofits/Substantial Redevelopment/Adaptive Reuse of Vacant Buildings

For operating equipment that needs upgrading or replacement, a baseline level of energy and water usage must be established using existing operational conditions. This can be determined by a Registered Contractor reviewing the past 12 months' utility bills showing energy and water costs. The nameplate efficiency ratings of the currently installed equipment can also be used to establish this information. Alternatively, energy performance modeling or other professionally accepted methods of establishing energy and water efficiency performance for the existing building can be used.

For projects involving the placement of non-existent or replacement of inoperable equipment that do not have a history of energy usage, the new equipment must be at or above the current building codes adopted by the State of Montana.

4.1.2 New Construction

New construction projects, unlike existing building retrofits, do not benefit from a history of energy usage data from which the baseline level of energy and water usage can be established. For projects involving new construction the baseline is the minimum level of equipment efficiency required by the current building codes adopted by the State of Montana. The project must demonstrate, through the required Energy Assessment, that it will exceed the minimum building codes adopted by the State of Montana.

4.1.3 Renewable Energy

For projects involving a new renewable energy system, the Energy Assessment should use acceptable energy performance modeling or other professionally accepted methods of establishing energy efficiency performance to determine energy savings for the project.

For projects involving the improvement of an existing renewable energy system, the Energy Assessment must include a baseline level of energy usage based upon existing operational conditions.

4.1.4 Public Safety and Resiliency

Public Safety and Resiliency Improvements are new to the Last Best PACE Program. As a result, documentation required for these improvements should be discussed in advance with Program staff. The information needed will vary depending upon the specific improvement(s) as well as the project size, scope and complexity.

For Public Safety Improvements — firearm storage infrastructure — documentation will need to support the existence of a policy to hold firearms under a firearm hold agreement and that the improvement meets Last Best PACE Program requirements.

For Resiliency Improvements, the baseline for existing buildings is the existing conditions of the building(s) and property as related to the proposed improvement(s). The baseline conditions for new construction projects are the minimum requirements set forth in building codes, zoning regulations and other applicable regulations related to the eligible improvements.

Documentation supporting the Resiliency Improvement(s) should be prepared by a Registered Contractor demonstrating appropriate experience with the type of planned

improvement(s). Appropriate experience can be supported by certifications that may include, but are not limited to:

- Professional Engineer
- Licensed Architect
- Professional Geologist

For more complex improvements, a more specialized contractor may be required to provide or review the project documentation.

In general, documentation supporting an application should include:

- For existing buildings: provide existing conditions of the property relevant to the improvement, e.g., resilience to wind, flood, seismic activity, and fire
- For new buildings: a description of baseline resilience performance required by building codes, zoning ordinances and other applicable regulations
- Description of improved performance of resiliency improvement(s) above baseline requirements
- Incremental benefits to be offered by each improvement, example of baseline resistance of 50 mph winds, improvement will increase resilience to 80 mph winds
- Indication of building resilience modeling software (if any) used in preparing the documentation

Upon the Last Best PACE Program approving the eligibility of the proposed project, including Public Safety or Resiliency Improvement(s), the balance of the C-PACE process remains the same as it is for projects involving energy and water efficiency and renewable energy improvements.

4.1.5 Retroactive

Previously completed installations of C-PACE-eligible improvements may qualify for retroactive C-PACE financing. Property Owners with retroactive improvements may apply to Last Best PACE to be approved for C-PACE financing. Retroactive financing is subject to the following additional requirements:

- Finance closing must occur within 36 months of the time elapsed between the later of the completion of the installation/improvement or the certificate of occupancy for the eligible property, unless otherwise approved by the Program.
- The term of the C-PACE financing will be reduced to account for any of the C-PACE project's life that has elapsed between the time of installation/modification and the closing of the C-PACE retroactive financing. For example, if C-PACE retroactive financing is funded one year after the later of either the completion of the installation/improvement or the certificate of occupancy, the eligible term will be reduced by one year.

4.1.5a Required Documentation for Retroactive Financing

Verification is required to establish prior conditions (baseline) with a description of the project, including documentation providing evidence of:

- Completion date for the project requesting retroactive financing
- Documentation of equipment in place prior to replacement, including the make and model of the equipment and a description of the baseline usage
- Documentation of the installation/modification of the improvements comprising the C-PACE project, including make and model of the equipment and costs and projected savings of the improvements

New construction projects completed within the 36-month window may also qualify for retroactive C-PACE financing.

4.2 Financing Structure

Property Owners should be familiar with the features of a C-PACE financing. The principal amount will be equal to all eligible project costs that the Property Owner chooses to finance through the Program, which may include costs associated with project implementation, such as required report expenses, permit fees, inspection fees, application and administration fees, bank fees, closing costs and capitalized interest.

C-PACE financing is secured by a special assessment lien on the subject property. The lien is recorded with the county clerk and recorder's office in the county where the real property is located. The lien is for the outstanding assessment only, runs with the real property and has the same priority and status as other property tax and assessment liens. The local government has the same rights in the case of delinquency in the payment of a C-PACE assessment as it does with respect to delinquent property taxes. The lien will be removed from the real property when the assessment, including any interest and penalty, is paid in full.

The interest rate on the financing is negotiated between the lender and the Property Owner and is not set by the Last Best PACE Program. Interest rates can be fixed or variable. Variable rates can be reset no earlier than every five years. The details of the rate reset, including the timing, and any floor or ceiling rates must be included in the Financing Agreement.

The term for the financing is negotiated between the lender and the Property Owner. The maximum finance term not able to exceed the useful life of the improvement(s) paid for by the assessment. For projects with multiple improvements, the weighted average

useful life of all project improvements may be used to determine the financing term. While Last Best PACE does not have a statutory limit on the financing term, C-PACE lenders may be limited by regulations or their underwriting standards.

Depending upon the date that a project financing closes, the first payment placed on the property tax bill may not be until the following tax year. If such a delay occurs, the lender may capitalize the interest into the principal amount, or they may arrange for a separate capitalized interest payment.

Last Best PACE maintains a list of Eligible Lenders that are interested in financing C-PACE projects. Last Best PACE is continually building upon this list by adding new lenders. If you are working with a lender that is not aware of the Last Best PACE Program, please reach out to Program staff. Staff can provide Program education to the lender, continually building awareness of and increasing the number of C-PACE lenders. If you are not working with any specific lender and would like a referral, please contact Program staff.

5.0 Program Administration

5.1 Administering the C-PACE Assessment

Last Best PACE is available to assist the Property Owner, C-PACE lender and C-PACE Districts with any issue that may arise during the repayment period.

5.1.1 C-PACE Assessment Payments

This information is provided as a general overview. Specific terms and conditions that all parties must follow are detailed in the contracts executed at closing.

Repayment of C-PACE assessment financing is made via payments on the annual property tax bill. C-PACE payments follow the same payment schedule as other property taxes and special assessments, with equal semi-annual payments due by Nov. 30 and May 31.

Each local government participating in Last Best PACE through a C-PACE District collects the C-PACE assessments from the participating Property Owners via the property tax collection system and remits those funds to the Last Best PACE Program for distribution to the C-PACE lender. The Last Best PACE Program does not allow for direct payments from the Property Owner to the C-PACE lender.

If the Property Owner intends to prepay in part or in full the amount due with respect to the C-PACE assessment, the Property Owner shall notify Last Best PACE and the C-PACE lender as soon as possible, so that all parties may agree to the proper payment amounts and confirm the process to document and record the payment.

Property Owners should be aware that any failure to make a payment on a C-PACE assessment will result in the same consequences as a failure to pay property taxes, which could include penalty fees and interest as well as an eventual tax sale to recover the amounts owed, as outlined in Title 15, Chapter 16, MCA.

5.1.2 Release of C-PACE Assessment

Upon written notice from the C-PACE lender that it has received payment in full of the C-PACE assessment, either prepaid or according to the financing's amortization schedule, the Last Best PACE Program will record a release of the C-PACE assessment with the county clerk and recorder's office in the county where the real property is located.

5.2 Program Fees

The Last Best PACE Program is financed through fees charged to participating Property Owners. These fees cover the recurring costs for administering the program.

5.2.1 Origination Fee

The origination fee is paid to the Last Best PACE Program at or prior to the C-PACE financing closing date. This fee represents an up-front administration fee that equals 1.25% of the C-PACE financing amount. The minimum origination fee shall be $1,000, with no set maximum fee amount*. The origination fee may be capitalized into the C-PACE financing amount for the C-PACE project.

*Note: MFFA reserves the right to negotiate a maximum origination fee amount on an individual project basis.

5.2.2 Administrative Fees

For each current C-PACE project, an administrative fee of 1% of the annual payment, up to an annual maximum of $3,000, will be charged each year until the assessment is paid in full. This will be calculated and included in the project amortization schedule and collected by MFFA via the repayment process. Upon receipt of the funds from the local government, the Last Best PACE Program will deduct the fee prior to remitting the loan payment to the C-PACE lender.

The origination and administrative fees outlined above do not include any specialized professional services that may be necessary should the circumstances of any particular C-PACE project require them. For example, and without limitation, should any participant in a C-PACE project submit substantive comments to the Last Best PACE Program documentation, request a legal opinion from Program counsel or require other time and resource-intensive review of a transaction, the Property Owner shall be

responsible for covering such Last Best PACE Program expenses at cost. Prior to a C-PACE financing closing, evidence that such expenses will be paid before the closing is required. These specialized professional services expenses may be paid out of the proceeds of the C-PACE financing.

5.2.3 Legal Fees

The Last Best PACE Program requires a Validity Opinion, provided by MFFA counsel prior to or at a C-PACE closing date. The Validity Opinion is a statement that the project meets Montana law and program requirements after a review of project documentation, and that the C-PACE assessment lien is a valid and enforceable lien. The fee varies, depending on the complexity of the C-PACE project. The fee is billed directly by MFFA counsel to the C-PACE lender and can be paid out of financing proceeds or out of pocket by the Property Owner.

5.2.4 Other Program Fees

The Last Best PACE Program reserves the right to charge the Property Owner additional fees to cover administrative costs for any projects that go into delinquency or default.

5.2.5 Third Party Fees

C-PACE projects also involve other third-party fees, such as Energy Assessment fees, lender origination and recording fees, permitting or appraisal fees. As indicated within the Other Eligible Expenses section of these guidelines, these costs can be included in the C-PACE financing and paid out of proceeds. If preferred, Property Owners can pay these fees out of pocket.

5.3 Quality Assurance and Antifraud Measures

The Last Best PACE ensures quality assurance and anti-fraud measures are built into the Program. This is completed through requirements within these Program Guidelines and through processes and procedures, including utilizing C-PACE industry best practices used by other program administrators and industry partners throughout the country. Some of these measures include:

Applications: Project and contractor applications are reviewed for accuracy and completeness, and supporting documentation is verified through independent review.

Energy Assessments: An independent third party must complete the assessments to determine cost and energy savings.

Registered Contractors: Parties completing the Energy Assessments and installing the eligible improvements must meet Program requirements (see Contractor Section in this document) and be registered with the Last Best PACE Program. As required by statute, the Program maintains a database of Registered Contractors to manage, track and resolve consumer complaints.

Independent Third-Party Review: Last Best PACE reserves the right to require an Independent Third-Party Review of the Energy Assessment. If required, this must also be completed by a Registered Contractor.

Senior Lender Consent: All properties with existing loans must provide lender consent from any and all lien holders.

Lenders: Private-sector capital providers finance Last Best PACE projects. Capital providers must meet program requirements (see Eligible Lenders section in this document).

Borrower Acknowledgement of Risk and Certification: The Property Owner is required to provide an acknowledgement that they understand and accept the terms of the program contracts, including that by signing they are authorizing a voluntary tax lien to be placed on their property.

Validity Opinion: Prior to or at closing on the C-PACE financing, legal counsel for the Program must review the project documents and provide a Validity Opinion that the project meets Montana law and program requirements.

Project Completion Verification: Upon project completion, the contractor who completed the Energy Conservation Project must submit written verification that the project was properly installed and is operating as intended.

5.4 Key Program Documents

*Documents available at lastbestpace.com.
**Document templates available by contacting Program staff.

PDF versions of documentation are provided for illustrative purposes. As projects develop, editable versions are available.

5.4.1 Establishing a C-PACE District

Last Best PACE must receive and maintain copies of all signed Local Government Resolutions.

Local Government Resolution of Intent*: The first step a local government takes to establish a C-PACE District within its jurisdiction.

Local Government Final Resolution*: The final document adopted by a local government following a public hearing, to establish a C-PACE District within its jurisdiction.

5.4.2 Eligibility Determination

Last Best PACE must receive and maintain copies of all required project documents.

Program Application*: The form found on the program website, lastbestpace.com, submitted by an eligible applicant, or their authorized agent, requesting participation in the Last Best PACE Program.

Contractor Application*: The form found on the program website, lastbestpace.com, submitted by an eligible contractor, requesting participation as a Registered Contractor in the Last Best PACE Program. Includes terms and conditions the contractor is agreeing to by submitting to the Program.

Energy Assessment:** The energy analysis to be completed by a Registered Contractor to determine cost and energy savings for Energy Conservation Projects. There is no defined format the report must follow, as long as it contains the information required by the Program, as previously outlined in these guidelines. The Last Best PACE Program has a simple report template that can be used.

Independent Third-Party Review: The review of the Energy Assessment completed by an Independent Third-Party Registered Contractor to verify the cost and savings for Energy Conservation Projects.

Lender Notice and Consent to PACE Assessment:** The written consent of the existing holder(s) of a mortgage or other real property lien on the eligible property, to be obtained prior to the closing of a C-PACE financing. This document must be filed with the county clerk and recorder in the county where the secured property is located. The recording of the document is typically handled as part of the closing process.

5.4.3 Loan Closing

Last Best PACE must receive and maintain copies of all executed Loan Closing documents.

Prior to Day of Closing

Contract between Local Government and Record Owner:** Written agreement between the Property Owner and the Local Government signed by the MFFA as agent of the Local Government. This contract contains the terms and conditions of financing and an assessment that meets the requirements of 90-4-1307, MCA, with full disclosure of costs, including the effective interest rate of the assessment, any administrator fees, the estimated payment schedule and the placement of a lien on the real property. This contract must allow the Property Owner to cancel the contract within three business days of signing the contract.

Document signed by the Property Owner and MFFA as Authorized Agent of Local Government at least four business days prior to day of closing.

At Closing

Contract between Local Government and Lender:** Written agreement between the Lender and the Local Government signed by the MFFA as agent of the Local

Government. This contract outlines the requirements and responsibilities each party agrees to as part of the C-PACE financing.

Document signed by the C-PACE lender and MFFA as Authorized Agent of Local Government.

Notice of Contractual PACE Assessment Lien:** Document voluntarily placing the assessment lien on the property securing the C-PACE financing. This document must be filed with the county clerk and recorder in the county where the secured property is located. The recording of the document is typically handled as part of the closing process.

Document signed by MFFA as Authorized Agent of Local Government and acknowledged by Property Owner. Document filed by C-PACE lender with county clerk and recorder.

C-PACE lender must also file a copy of the Lender Notice and Consent to PACE Assessment (see Eligibility Determination section above) with the county clerk and recorder.

Borrower Acknowledgement of Risk and Certification:** Document signed by the Property Owner verifying that they understand and accept the terms of the contracts and the Program requirements, including their independent determination that the project constitutes a beneficial arrangement, thus is Cost-Effective, providing good value to the Property Owner.

Document signed by Property Owner.

Validity Opinion: Document issued by MFFA counsel certifying the C-PACE project being financed complies with Montana state law and the Last Best PACE Program requirements.

Document signed by MFFA legal counsel.

C-PACE Financing Agreement: A written agreement between a Property Owner and a C-PACE lender that sets forth the terms of the C-PACE financing. This agreement may include multiple supporting documents, such as a Promissory Note, Personal Guaranty (if required by lender, this will typically be in relation to the construction phase of a new construction C-PACE project), Resolution to Borrow, Disbursement Schedule, Payment Schedule, etc.

Document signed by Property Owner and C-PACE lender.

5.4.4 Post Closing

Contractor Certification of Completion: Written verification submitted by the contractor who completed the Energy Conservation Project verifying the project was properly installed and is operating as intended.

5.5 Program Glossary

Program definition of common terms.

ASHRAE: The acronym for the American Society of Heating, Refrigerating and Air-Conditioning Engineers.

Cost-Effective: A project that benefits the Property Owner by ensuring their investment provides good value.

Energy Assessment: An energy analysis completed by a Registered Contractor that determines cost and energy savings.

Independent Third-Party Review: Documentation that verifies the cost and energy savings in the Energy Assessment.

Multifamily Housing Facility: A property with at least five units that are primarily intended for residential use, each with a full bathroom and a complete kitchen. The units may be rental units or owner-occupied units. The units may be attached, detached, semidetached, or row houses.

Parcel ID: A unique number assigned to a parcel, or parcels, of property by the tax assessor of the property jurisdiction which is used for record-keeping and tax purposes.

Property Owner: see Record Owner definition.

Record Owner: (Also referred to as Property Owner within these guidelines.) The person or persons possessing the most recent fee title as shown by the records of the county clerk and recorder.

Registered Contractor: A professional holding qualifications as set forth in these guidelines, who is a reputable contractor with demonstrated experience relevant to the C-PACE project, is able to perform the work according to plans, specifications and the requirements in these guidelines, and has registered as required by the Last Best PACE Program.

Senior Lender Consent: The written consent of the existing holder(s) of a mortgage or other real property lien on the C-PACE project property, agreeing to the placement of a voluntary tax assessment on the property.

5.6 Marketing and Education

5.6.1 Outreach and Training

A key component to the success of the Last Best PACE Program is training for Property Owners, contractors and lenders on how to use C-PACE and comply with Program requirements. The MFFA relies on one-on-one education sessions for the various projects and partners, as well as third-party training to accomplish this.

MFFA also uses attendance and presentation opportunities at several statewide conferences for economic developers, lenders, contractors, business owners, local governments and other key partners. These conferences provide the MFFA with the ability to provide education and marketing to wider audiences as well as the ability to reach individuals interested in C-PACE.

5.6.2 Program Information

The MFFA maintains the website lastbestpace.com, and other related addresses to serve as the primary point of information for C-PACE, including resources for Property Owners, contractors, lenders and local governments. The website hosts training resources, as well as case studies and Program updates.

Print media is also part of the Program outreach, including brochures, as well as one-page briefs on specific questions and topics as they arise or are appropriate for a particular audience. The Last Best PACE Program is also featured in the MFFA's printed

annual reviews. These materials will be used to highlight Program opportunities as well as to highlight successful projects.

5.7 Disclosure

- The Authority does not provide legal advice, and will not mediate any disputes between any participants, including but not limited to, Property Owner, owners of eligible properties and their tenants, C-PACE lenders, contractors, energy service companies, and utilities.
- The Authority does not provide any accounting advice regarding how a Property Owner should treat the C-PACE financing in their books and records.
- The Authority has the right to review all projects for eligibility and may approve C-PACE projects for C-PACE financing according to the standards and criteria set forth in these Program Guidelines.
- The Last Best PACE Program retains ultimate discretion whether to approve a C-PACE financing, enter into a C-PACE assessment and financing agreement to, among other things, levy a C-PACE assessment against an eligible property, and whether to approve any amendments thereto.
- In addition to other designated and implied responsibilities in the C-PACE Program, Property Owners are responsible for reviewing the terms, conditions, and obligations implied by the Financing Agreement, as well as the terms of any supplemental agreements with the C-PACE lender and all agreements with participating Contractors, independent reviewers, and any other parties to the project.
- Application materials submitted to the Last Best PACE Program may be subject to the public's right to know per Article II, Section 9 of the Montana Constitution, as well as Montana Public Records Act, MCA 2-6-1001, et seq.
- The C-PACE Program Administrator:

- Does not endorse any particular C-PACE lender, installation contractor, engineering firm, manufacturer, product, or system design by this offering.
- Is not responsible for any tax liability imposed on the recipient as a result of the payment.
- Makes no representation or warranty, and assumes no liability with respect to the quality, safety, performance, or other aspect of any design, consulting, product, system, or equipment, installed or received and expressly disclaims any such representations, warranties, and liability, including, but not limited to, any implied warranties of merchantability or fitness for a particular purpose. Please contact your contractor for detailed manufacturer equipment warranties.
- Does not guarantee that installation and operation of energy efficient equipment will result in reduced usage or in cost savings to a Property Owner or any occupants of an eligible property.
- Is not responsible for the proper disposal/recycling of any waste generated as a result of this project.
- Is not liable for any damages, including any incidental or consequential damages, arising out of the operation or malfunction of the products, equipment, or the installation thereof related to a C-PACE project.
- Unless notified in writing, the Authority reserves the right to publicize participation in the Program.
- Upon a reasonable notice period, the Authority may schedule a site visit to verify that qualified products, systems, and equipment were installed.