



OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

MEMORANDUM

March 15, 2024

TO: Andrew Friedson, President
Montgomery County Council

FROM: Marc Elrich, County Executive

SUBJECT: 2023 Annual Report on the County's Commercial Property Assessed
Clean Energy Program

We are hereby submitting to the Montgomery County Council the annual report on the County's Commercial Property Assessed Clean Energy (C-PACE) program, which was created to assist qualifying commercial property owners to make energy efficiency and renewable energy improvements to their buildings. This annual reporting requirement is described in the Montgomery County Code Chapter 18A, Article 5, Section 18A, § (b) which stipulates that:

"The Executive must submit an annual report to the County Council by March 15 of each year describing program participation, number and dollar value of surcharge billed and collected, and other relevant information pertaining to the prior calendar year."

In January 2021, the County established a Memorandum of Understanding (MOU) with the Montgomery County Green Bank (Green Bank) to manage the day-to-day administration of the C-PACE program. The Green Bank's trusted status with capital providers, building owners, and energy service contractors, along with their suite of other strong financial products for building owners, made this transition of program management a logical next step for the County's C- PACE program. The County extended this MOU with the Green Bank for an additional year through December 2024.

Despite the negative impact that the COVID-19 pandemic had on new C-PACE project applications and the continued effect that low occupancy rates have on the commercial real estate sector, the Green Bank is developing new strategies among the property owner, developer, lender, and contractor communities to increase interest, including: a new C-PACE marketing campaign, C-PACE focused webinar series, in-person events, and transitioning to becoming a C-PACE capital provider.

At present, there are several open factors that have restricted new originations in the C-PACE program. From January 2023 to December 2023, no new C-PACE loans were originated. The market has been responsive to new energy benchmarking standards but is predominantly in a hold while the County and State contemplate regulations around Building Energy Performance Standards (“BEPS”). Furthermore, the Green Bank and County are currently working on a new set of program guidelines that update the market on changes from Montgomery County Council Bill 46-21 but will be well served to stimulate the market by including more information about BEPS.

Starting in 2024, the Green Bank became a small C-PACE capital provider to help stimulate the market and close gaps for smaller sized transactions of \$2.5 million or less. Whereas the Green Bank traditionally engages in co-lending and credit enhancement structures, it will serve in this instance as a sole small C-PACE capital provider. This activity is intended to demonstrate to other capital providers the benefits of executing C-PACE loans, thus crowding in those capital providers. Local community banks have expressed an interest in getting comfortable with C-PACE by already-originated C-PACE loans.

From September 2023 to December 2023, the County billed and collected payments from the sixth cycle of C-PACE assessment collections due on the property tax bills. The total amount billed for all C-PACE assessment payments in 2023 equaled \$186,983. One account has been paying its balance periodically but is past the due date. Total collections as of 3/12/2024 of \$121,681.30 have been remitted to the Green Bank for servicing with the C-PACE capital providers.

Table 1: Portfolio as of the end of December 2023

Building Name	Property Type	City	C-PACE Financed Amount	Loan Term (yrs)	Project Completion Date	First Surcharge Due Date
Wildwood Medical Center	Office	Bethesda	\$638,849	20	2/21/2018	9/30/2018
Rockville Motel Associates	Commercial	Bethesda	\$1,611,899	20	10/28/2020	9/30/2021

The Department of Finance and the Department of Environmental Protection look forward to having a wider array of projects to share with the Council in our next annual report. We are enthusiastic about the Green Bank becoming a small C-PACE capital provider and demonstrating the benefits to other capital providers, a practice that worked well in other jurisdictions. The Green Bank currently has three small C-PACE transactions in its pipeline, which it intends to close by the first quarter of FY25.

If you have any questions on the C-PACE program or information provided in this annual report, please contact Nancy Feldman, Chief, Division of Fiscal Management, Department of Finance at extension 7-8887 or Lindsey Shaw, Section Chief, Buildings and Transportation Programs, Department of Environmental Protection at extension 7-7754.

cc: Marc Elrich, County Executive
Richard Madaleno, Chief Administrative Officer
Ken Hartman, Assistant Chief Administrative Officer
Kate Stewart, Vice President, Montgomery County Council
Sarah Kogel-Smucker, Climate Change Officer