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HOUSE BILL 1796

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By Representatives Doglio, Fitzgibbon, Shewmake, Peterson, Lekanoff, Pettigrew, Goodman, Walen, Slatter, Appleton, Macri, and Tarleton

Read first time 01/31/19. Referred to Committee on Local Government.

1 AN ACT Relating to commercial property assessed clean energy and  
2 resilience; and adding a new chapter to Title 35 RCW.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 NEW SECTION. **Sec. 1.** (1) The legislature finds that the  
5 efficiency and resiliency of buildings in Washington is essential for  
6 ensuring the health and safety of residents, employees, and tenants;  
7 for using water and energy more efficiently; and for economic  
8 development of our communities. Buildings in Washington have  
9 significant needs for resiliency retrofits, including seismic  
10 improvements, stormwater management, flood mitigation, wildfire and  
11 wind resistance, and for clean energy and energy efficiency  
12 improvements, but these improvements often have high up-front capital  
13 costs.

14 (2) This chapter authorizes the establishment of a commercial  
15 property assessed clean energy and resiliency ("C-PACER") program  
16 that jurisdictions can voluntarily implement to ensure that free and  
17 willing owners of agricultural, commercial, and industrial properties  
18 and of multifamily residential properties with five or more dwelling  
19 units can obtain low-cost, long-term financing for qualifying  
20 improvements, including energy efficiency, water conservation,  
21 renewable energy, and resiliency projects. These improvements would

1 be repaid through the local property tax assessment billing process  
2 without the accumulation of cost to the municipality and without the  
3 creation of a personal debt obligation to the property owner. The  
4 debt obligation would instead be carried by the property and remain  
5 with the property until repaid, regardless of any potential transfer  
6 of property ownership.

7 (3) The legislature declares that the establishment and operation  
8 of a C-PACER program under this chapter serves a valid public purpose  
9 and is in the public interest. Accordingly, the governing body of a  
10 municipality may determine that it is convenient and advantageous to  
11 establish a program under this chapter.

12 NEW SECTION. **Sec. 2.** The definitions in this section apply  
13 throughout this chapter unless the context clearly requires  
14 otherwise.

15 (1) "Assessment" means the voluntary contract entered into by the  
16 property owner and a municipality under this chapter that is recorded  
17 on the land records.

18 (2) "Assessment amount" means the voluntary contractual surcharge  
19 included on the real property tax bill by which the owner of the  
20 eligible property repays the C-PACER financing.

21 (3) "Capital provider" means any private entity that makes or  
22 funds C-PACER financing under this chapter.

23 (4) "C-PACER financing" means an investment from a capital  
24 provider to a property owner to finance a qualified project as  
25 described under this chapter.

26 (5) "C-PACER lien" means the lien that the municipality records  
27 on the eligible property pursuant to the assessment and related  
28 documents.

29 (6) "Eligible property" means privately owned commercial,  
30 industrial, or agricultural real property or multifamily residential  
31 real property with five or more dwelling units. Eligible property may  
32 be owned by any type of business, corporation, individual, or  
33 nonprofit organization permitted by state law.

34 (7) "Financing agreement" means the contract under which a  
35 property owner agrees to repay a capital provider for the C-PACER  
36 financing including, but not limited to, details of any finance  
37 charges, fees, debt servicing, and any terms relating to treatment of  
38 prepayment and partial payment of the C-PACER financing.

1 (8) "Municipality" means a county, city, or town or  
2 unincorporated territories of those jurisdictions.

3 (9) "Program" means a C-PACER administrative mechanism  
4 established under this chapter.

5 (10) "Program guidebook" means a comprehensive document that  
6 illustrates the applicable region for a program and establishes any  
7 appropriate guidelines, specifications, underwriting and approval  
8 criteria, and any standard application forms consistent with the  
9 administration of a program and not detailed in this chapter.

10 (11) "Qualified improvement" means a permanent improvement  
11 affixed to real property and intended to: (a) Decrease energy  
12 consumption or demand through the use of efficiency technologies,  
13 products, or activities that reduce or support the reduction of  
14 energy consumption, allow for the reduction in demand, or support the  
15 production of clean, renewable energy, including but not limited to a  
16 product, device, or interacting group of products or devices on the  
17 customer's side of the meter that generates electricity, provides  
18 thermal energy, or regulates temperature; (b) decrease water  
19 consumption or demand through the use of efficiency technologies,  
20 products, or activities that reduce or support the reduction of water  
21 consumption or allow for the reduction in demand; or (c) increase  
22 resilience, including but not limited to seismic retrofits, flood  
23 mitigation, stormwater management, wildfire and wind resistance,  
24 energy storage, and microgrids.

25 (12) "Qualified project" means the installation or modification  
26 of a qualified improvement, including new construction or the  
27 adaptive reuse of eligible property with a qualified improvement.

28 (13) "Region" means a geographical area as defined in section 3  
29 of this act.

30 NEW SECTION. **Sec. 3.** (1) In order to establish a program under  
31 this chapter, the governing body of a municipality must take the  
32 following actions:

33 (a) Adopt a resolution or ordinance that includes:

34 (i) A statement that financing qualified projects through  
35 assessments is in the public interest for safety, health, and other  
36 common good reasons;

37 (ii) A statement that the municipality intends to make  
38 assessments to repay C-PACER financing for qualified projects  
39 available to owners of eligible property;

1 (iii) A description of the region in which the program is  
2 offered, which: (A) May include the entire municipality, which, for a  
3 county, may include both unincorporated and incorporated territory,  
4 and (B) must be located wholly within the municipality's  
5 jurisdiction;

6 (iv) A municipality may designate more than one region. If  
7 multiple regions are designated, the regions may be separate,  
8 overlapping, or coterminous;

9 (v) A description of how the municipality will bill, collect, and  
10 remit payments currently due to capital providers under the financing  
11 agreement, if this option is available;

12 (vi) A description of how the capital providers will bill,  
13 collect, and remit payments currently due, if this option is  
14 available;

15 (vii) A description of the process to create a program guidebook  
16 to be prepared under section 8 of this act and a statement  
17 identifying where the program guidebook is available for public  
18 inspection; and

19 (viii) A statement of the time and place for a public hearing on  
20 the proposed program; and

21 (b) Hold a public hearing at which the public may comment on the  
22 proposed program, including the program guidebook prepared under  
23 section 8 of this act.

24 (2) For the purposes of subsection (1)(a)(viii) of this section,  
25 the resolution or ordinance may incorporate the program guidebook or  
26 any amended versions of the program guidebook, as appropriate, by  
27 reference.

28 NEW SECTION. **Sec. 4.** (1) The C-PACER financing for which  
29 assessments are imposed through a program established under this  
30 chapter may include:

31 (a) The cost of materials and labor necessary for installation or  
32 modification of a qualified improvement;

33 (b) Permit fees;

34 (c) Inspection fees;

35 (d) Lender's fees;

36 (e) Program application and administrative fees;

37 (f) Project development and engineering fees;

38 (g) Third-party review fees, including verification review fees;

39 (h) Capitalized interest;

1 (i) Interest reserves;  
2 (j) Escrow for prepaid property taxes and insurance; or  
3 (k) Any other fees or costs that may be incurred by the property  
4 owner incident to the installation, modification, or improvement on a  
5 specific or pro rata basis.

6 (2) In order to administer a program established under section 3  
7 of this act, a municipality may impose fees to offset costs related  
8 to administering the program, including the costs of a third-party  
9 administrator:

10 (a) The fees required by this subsection may be imposed as an  
11 application fee paid by the property owner requesting to participate  
12 in the program expressed as a set amount, a percentage of the  
13 assessment amount, or in any other manner that reflects the just and  
14 reasonable cost of administering the assessment to the municipality  
15 for its administration of the program or any contracted program  
16 administrator; and

17 (b) Program fees allowed in this subsection and included in the  
18 total C-PACER financing must not exceed the actual costs of qualified  
19 project approval and management incurred by the municipality or any  
20 contracted program administrator.

21 NEW SECTION. **Sec. 5.** The governing body of a municipality may,  
22 in accordance with chapter 39.34 RCW, contract with the governing  
23 body of another municipality or taxing district, as that term is  
24 defined in RCW 84.04.120, or another entity, including a county  
25 treasurer, to perform the duties of the municipality relating to the  
26 administration and collection of the assessments imposed by the  
27 municipality under this chapter. Enforcement of delinquent assessment  
28 or C-PACER financing installment payments, including foreclosure,  
29 shall remain the responsibility of the municipality itself.

30 NEW SECTION. **Sec. 6.** (1) Any combination of municipalities may  
31 agree to jointly implement or administer a program under this  
32 chapter.

33 (2) If two or more municipalities implement a program jointly, a  
34 single public hearing held jointly by the cooperating municipalities  
35 is sufficient to satisfy the requirements of this chapter.

36 (3) One or more municipalities may contract with a third party,  
37 including another municipality, to administer a program. Enforcement  
38 of delinquent assessment or C-PACER financing installment payments,

1 including foreclosure, shall remain the responsibility of the  
2 municipality itself.

3 NEW SECTION. **Sec. 7.** (1) Subject to available appropriations,  
4 the department of commerce shall establish a voluntary statewide C-  
5 PACER program to administer the approval and municipal recordation of  
6 qualified improvements.

7 (2) The governing body of a municipality may, in accordance with  
8 chapter 39.34 RCW, contract with the department of commerce, or its  
9 subcontractor, to implement and perform the duties of administering a  
10 program under this chapter that may be available to municipalities  
11 statewide. Enforcement of delinquent assessment or C-PACER financing  
12 installment payments, including foreclosure, shall remain the  
13 responsibility of the municipality itself.

14 (3) The department of commerce may contract with a third party,  
15 including another municipality, to administer a program that is  
16 available on a voluntary basis to municipalities statewide, provided  
17 that:

18 (a) The cost of contracted administration reflects the reasonable  
19 actual costs incurred by that third party and any government entities  
20 for which the third party collects program fees; and

21 (b) The contracted program administrator runs the statewide  
22 program available to municipalities statewide efficiently and  
23 transparently, including by:

24 (i) Making any services offered by the contracted program  
25 administrator to property owners, such as estimating energy savings,  
26 overseeing project development, or evaluating alternative equipment  
27 installations, priced separately and open to purchase by the property  
28 owner from qualified third-party providers;

29 (ii) Making any properties participating in the statewide program  
30 available to receiving impartial terms from all interested and  
31 qualifying third-party capital providers;

32 (iii) Disclosing to the public if the contracted program  
33 administrator has a financial interest in any of the services  
34 provided to property owners;

35 (iv) Allowing financial underwriting and evaluation to be  
36 performed by capital providers; and

37 (v) Working in a collaborative working group process with capital  
38 providers and other stakeholders to develop the program guidebook and  
39 any other relevant documents or forms.

1 (4) The department of commerce must select any contracted program  
2 administrator through a fair and open solicitation process that  
3 considers the principles for administration provided under subsection  
4 (3)(b) of this section.

5 (5) To the extent that funding is appropriated specifically for  
6 the purposes of this section, the department of commerce shall  
7 allocate appropriated funds to cover start-up costs associated with  
8 the voluntary statewide program over the course of the first twenty-  
9 four months following the designation of a contracted program  
10 administrator, including but not limited to program promotion and  
11 contractor education, a stakeholder collaboration process outlined in  
12 subsection (3)(b)(v) of this section, and early program costs before  
13 the contracted program administrator becomes self-sustaining.

14 (6) Subject to available appropriations, the department of  
15 commerce may establish a loan loss reserve or credit enhancement  
16 program to support financing of qualified projects issued under this  
17 section, should the agency determine that such a credit enhancement  
18 program is appropriate.

19 NEW SECTION. **Sec. 8.** (1) Before establishing a program under  
20 this chapter, the governing body of a municipality, or the governing  
21 body's designee, must prepare a program guidebook that includes, at  
22 minimum:

23 (a) A map showing the boundaries of the region designated in  
24 accordance with section 3 of this act;

25 (b) A sample form bilateral or triparty contract or contracts, as  
26 appropriate, between the municipality, the property owner, and the  
27 capital provider specifying the terms of:

28 (i) An assessment under the program; and

29 (ii) The C-PACER financing provided by a capital provider;

30 (c) A statement identifying a municipal office, agency, or  
31 authorized third party to enter into written contracts on behalf of  
32 the municipality;

33 (d) A statement that the period of the assessment will not exceed  
34 the useful life of the qualified project, or weighted average life if  
35 more than one qualified improvement is included in the qualified  
36 project, that is the basis for the assessment;

37 (e) A description of the application process and eligibility  
38 requirements for participation in the program;

1 (f) A statement explaining the lender consent requirement  
2 provided in section 9 of this act;

3 (g) A statement explaining the review requirement provided by  
4 section 10 of this act;

5 (h) A description of marketing and participant education services  
6 to be provided for the program; and

7 (i) The procedures for collecting the proposed assessment.

8 (2) The relevant program administrator must make the program  
9 guidebook available for public inspection:

10 (a) On the municipality's web site; or

11 (b) On the web site of the municipality's designated program  
12 administrator.

13 NEW SECTION. **Sec. 9.** (1) Before a municipality may enter into a  
14 written contract with a record owner of any eligible property to  
15 impose an assessment to repay the C-PACER financing of a qualified  
16 project under this chapter, the municipality, or its program  
17 administrator, must receive written consent from any holder of a  
18 lien, mortgage, or security interest in the real property that the  
19 property may participate in the program.

20 (2) An eligible property that is also subject to affordable  
21 housing covenants or restrictions must receive written consent from  
22 any holder of such a regulatory lien that the property may  
23 participate in the program.

24 NEW SECTION. **Sec. 10.** (1) A program established under this  
25 chapter must require for each proposed qualified project the  
26 following documentation as well as any documentation further  
27 specified in the program guidebook:

28 (a) For an existing building: (i) Where energy or water usage  
29 improvements are proposed, certification by a licensed professional  
30 engineer stating that the proposed qualified improvements will either  
31 result in more efficient use or conservation of energy or water,  
32 result in the reduction of greenhouse gas emissions, or result in the  
33 addition of renewable sources of energy or water, or (ii) where  
34 resilience improvements are proposed, certification by a licensed  
35 professional engineer stating that the qualified improvements will  
36 result in improved resilience.

37 (b) For new construction, certification by a licensed  
38 professional engineer stating that the proposed qualified



1 improvements will enable the project to exceed the energy efficiency  
2 or water efficiency or renewable energy or renewable water or  
3 resilience requirements of the current building code.

4 (2) After a qualified project is completed, the municipality must  
5 require written verification from a licensed professional engineer  
6 stating that the qualified project was properly completed and is  
7 operating as intended in the documentation provided under subsection  
8 (1) of this section.

9 NEW SECTION. **Sec. 11.** The proposed C-PACER financing for a  
10 qualified project may authorize the property owner to:

11 (1) Purchase directly the related equipment and materials for the  
12 installation or modification of a qualified improvement; and

13 (2) Contract directly, including through lease, power purchase  
14 agreement, or other service contract, for the installation or  
15 modification of a qualified improvement.

16 NEW SECTION. **Sec. 12.** (1) A municipality that authorizes  
17 financing through assessments under this chapter must record written  
18 notice of each assessment in the real property records of the county  
19 in which the property is located.

20 (2) The recording under subsection (1) of this section must  
21 contain:

22 (a) The assessment amount;

23 (b) The legal description of the eligible property;

24 (c) The name of each property owner; and

25 (d) A reference to the assessment provided under this chapter.

26 NEW SECTION. **Sec. 13.** (1) The assessment amount under this  
27 chapter plus any interest, penalties, and charges accrued or accruing  
28 on the assessment:

29 (a) Is a first and prior lien against the real property on which  
30 the assessment is imposed from the date on which the notice of  
31 contractual agreement is recorded until the assessment, interest,  
32 penalty, and charges accrued or accruing are paid; and

33 (b) Has the same priority status as a lien for any other ad  
34 valorem tax.

35 (2) The C-PACER lien runs with the land, and that portion of the  
36 assessment that has not yet become due is not accelerated or  
37 eliminated by foreclosure of a property tax lien.

1 (3) The assessment shall be enforced by the municipality in the  
2 same manner that the collection of delinquent real property taxes are  
3 enforced by the municipality under chapter 84.64 RCW.

4 (4) Delinquent installments due on an assessment incur interest  
5 and penalties in the same manner as delinquent property taxes.

6 (5) A municipality may recover costs and expenses, including  
7 attorneys' fees, in a suit to collect a delinquent installment of an  
8 assessment in the same manner as in a suit to collect a delinquent  
9 property tax.

10 (6) After the notice of an assessment is recorded as provided in  
11 section 12 of this act, the C-PACER lien may not be contested on the  
12 basis that the improvement is not a qualified improvement or the  
13 project is not a qualified project.

14 NEW SECTION. **Sec. 14.** A municipality that establishes a region  
15 under this chapter may not:

16 (1) Make the issuance of a permit, license, or other  
17 authorization from the municipality to a person who owns property in  
18 the region contingent on the person entering into a written contract  
19 to repay the financing of a qualified project through assessments  
20 under this chapter; or

21 (2) Otherwise compel a person who owns property in the region to  
22 enter into a written contract to repay the financing of a qualified  
23 project through assessments under this chapter.

24 NEW SECTION. **Sec. 15.** The members of the governing body of a  
25 municipality, employees of a municipality, and board members,  
26 executives, employees, and contractors of a third party who enter  
27 into a contract with a municipality to provide administrative  
28 services for a program under this chapter are not personally liable  
29 as a result of exercising any rights or responsibilities granted  
30 under this chapter.

31 NEW SECTION. **Sec. 16.** Sections 1 through 15 of this act  
32 constitute a new chapter in Title 35 RCW.

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