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THE CASE FOR ENCOURAGING C-PACE FINANCING FOR NEW CONSTRUCTION PROJECTS: CPA'S RECOMMENDED GUIDELINES

APRIL 15, 2019

Disclaimer: The paper is based on research that C-PACE Alliance believes to be accurate as of the publication date. Modifications and updates to state statutes, local ordinances and program rules will certainly occur. Readers should not rely on this information for investment decisions. The C-PACE Alliance welcomes comments and factual corrections.

The Case for Encouraging C-PACE Financing for New Construction Projects: CPA's Recommended Guidelines

April 15, 2019

Introduction

In this paper, the C-PACE Alliance (CPA) sets forth the rationale and benefits of allowing Commercial Property Assessed Clean Energy (C-PACE) financing in ground-up new construction projects. In addition, the paper contains recommended guidelines for policymakers to consider as they develop or improve their C-PACE programs related to new construction. Frequently Asked Questions are addressed next. Finally, the paper compares several states' new construction programs with the CPA-recommended guidelines.

Originally conceived as a means to help homeowners finance the cost of solar panels through a special tax assessment, C-PACE financing has evolved to finance many other building improvements that support public policy goals, such as energy and water efficiency, seismic safety, storm resiliency and fire hardening. Today, of the states with active C-PACE programs, most allow C-PACE financing for new construction projects. However, these programs impose different eligibility rules and documentation requirements. Neither local governments nor the C-PACE industry have settled on a uniform approach.

Common Goals

The C-PACE Alliance recommendations are based on its members' investing and advising experience with C-PACE transactions in almost twenty states, totaling hundreds of millions of dollars. CPA's white paper, Elements of a Well-Designed C-PACE Statute and Program to Attract Private Investment and Foster Transaction Volumes, sets forth overall goals that are shared by many industry stakeholders. The goals are re-stated here, emphasizing their application to new construction projects:

1. **Achieve the greatest overall environmental and economic development benefits**: Authorizing the use of C-PACE financing for new construction adds to the number of commercial buildings that reduce energy and water use, generate renewable energy, enhance public safety, and promote economic growth at no cost to state or local governments.

2. **Deliver to property owners on the potential benefits of C-PACE financing as a special assessment.** C-PACE installment payments are made through the tax payment process, reducing the risks of noncollection, which results in a lower cost of capital to the property owner. Because the average size of a new construction project is larger than a retrofit project, a lower cost of capital can be a meaningful consideration for the developer.

3. **Foster a vibrant, large and growing market for C-PACE financing**: Permitting C-PACE to finance eligible improvements for new construction projects will support new and visible projects that deliver environmental and economic development benefits.

4. **Create an excellent customer and stakeholder experience**: Simplifying the program parameters for C-PACE financing on new construction projects will improve the customer and stakeholder experience and therefore encourage more property owners to participate.

Marriott Residence Inn (Columbus, OH)

The Marriott Residence Inn, a new construction, 354-room hotel, used $16.3 million in C-PACE financing from Petros PACE Finance to pay for LED lighting, roof and wall insulation, and windows.

"***We view C-PACE as a valuable financing tool; C-PACE financing was a perfect fit in the capital stack of the project.***" Tony Mathena, Vice President, Continental Hospitality Group.

BENEFITS OF ALLOWING C-PACE FINANCING FOR NEW CONSTRUCTION PROJECTS

Many benefits of C-PACE financing apply equally to new construction and retrofit projects. The following benefits flow directly from new construction projects.

1. **More high-quality buildings:** C-PACE financing facilitates property owners' adoption of energy conservation measures (ECMs) and advanced technologies, which can generate sufficient cost savings so that owners do not eliminate ECMs from the budget ("value engineering").

2. **Improved economics:** Many new construction projects use traditional gap-fillers such as mezzanine debt or preferred equity. With a lower cost of capital, C-PACE financing can stabilize the cash flow of projects during and after construction.

3. **Eases the transition to higher efficiency building standards**: Many states regularly raise their building efficiency standards, which inevitably raises construction costs. C-PACE can be the financing answer to help mitigate higher costs of more stringent efficiency code requirements.

4. **More vibrant C-PACE market**: Greater C-PACE volume from new construction projects adds to a more active capital market for C-PACE, lowering the cost of funds for all C-PACE customers and spreading awareness of the value of more efficient, safe and healthy buildings.

Home2Suites (Tracy, CA)

RAAD Hospitality Group needed to fill a $4.3 million construction financing gap for the $21.6 million new construction project, and the owners wanted to stretch their equity dollars to acquire and develop of other hotels. CleanFund Commercial PACE Capital provided C-PACE financing with lower average cost of capital that the project used for energy efficient lighting, electrical systems, HVAC, glazing systems, plumbing, insulation and other energy-related expenses.

RECOMMENDED GUIDELINES FOR NEW CONSTRUCTION

1	**C-PACE programs should welcome and encourage new construction projects.** Authorizing new construction projects serves the common goal of creating a large, thriving and active C-PACE market. State C-PACE legislation should authorize new construction projects, and state and local officials should consider implementing these recommended guidelines. State officials should allow programs the leeway to interpret the C-PACE legislation broadly to allow new construction unless there is an express prohibition or grant of authority.
2	**C-PACE program design should facilitate the broadest possible customer access.** A program used only by "green" developers, contractors, and architects misses the majority of the market, and may not actually be additive to the stock of high-performing buildings. Instead, programs should be designed to appeal to the majority of developers that can be motivated to increase spending on ECMs and other eligible improvements, even if it is only a modest increase or not value-engineering the ECMs out of the project. If the program rules are too burdensome or intrusive, many developers will not consider C-PACE financing, and will cut the ECMs out of the budget – a missed opportunity for economic development and positive public benefits.
3	**The baseline energy efficiency to be eligible for C-PACE financing should not be set arbitrarily high.** A project should qualify for C-PACE financing if it meets local building code requirements for energy efficiency or has the capacity to exceed code requirements, without quantifying a specific percentage above code**.** Examples include the programs in CA, DC, OH, MD, KY, MI, MO and WI. For those governments that choose a higher standard, CPA respectfully requests that they consider including a list of prescriptive measures that can easily be verified without undue cost.

	Public officials may make the policy decision to raise the building performance standards for all commercial buildings, however, it is not helpful to raise the eligibility threshold for C-PACE financing to some arbitrary percentage above code. Setting a high eligibility threshold is unlikely to motivate developers to construct a building with significantly higher efficiency performance than the one they had in mind originally. On the contrary, imposing a high percentage margin above code is more likely to deter developers who see the higher eligibility threshold as a costly hurdle to using C-PACE financing. Policymakers should make decisions informed by data on the higher construction costs of more stringent building codes. C-PACE financing can help address this negative economic impact by lowering the cost of capital, but C-PACE cannot fully offset the costs resulting from a significant margin above code. C-PACE financing can complement a policy of gradually increasing building code efficiency so that the two policies function as a combination of reward and regulation. <u>Imagine two hypothetical C-PACE portfolios</u>: • One program allows new construction projects that meet (or have the capacity to exceed) building code standards. After a few years, such a program is likely to enroll several dozen projects across the spectrum of energy efficiency -- most projects will meet or slightly exceed the baseline, a few projects will be moderately above baseline, and a few will significantly exceed baseline. In addition, several projects will be larger than the owner first planned due to availability of C-PACE financing. • The second program, with a higher eligibility threshold, is likely to enroll only a few projects, although all of them will meet the high energy-efficiency standard. Comparing the two programs, the first one achieves greater overall impact—more projects are built, more aggregate environmental and economic benefits are generated, and more property owners become aware of how to design and operate their buildings to reduce energy consumption.
4	**For energy-related improvements, the C-PACE program's energy assessment requirements should be reasonable, low-cost and user-friendly.** Real estate development is fundamentally a complicated undertaking. For developers, user-friendly capital is more appealing than capital with complex requirements attached. Excessive requirements – each of which may not seem too onerous – eventually turn off developers' interest. To attract developers, C-PACE program rules should provide clear guidance while being adaptable to new circumstances and requiring the least possible amount of third-party documentation. <u>Who performs the energy assessment</u>: For new construction, CPA recommends that programs encourage property owners to obtain their own independent energy analysis from a qualified professional, with minimal involvement from the program administrator. Programs that mandate a contractor guarantee of energy savings raise the cost of a building upgrade and limit the number of contractors willing to work on C-PACE financed projects. <u>Scope of the energy assessment</u>: Programs should allow developers the flexibility to use low-cost methods to demonstrate energy savings relative to the baseline. For buildings

	with a basic design, developers should be able to use engineering drawings and equipment performance ratings rather than whole-building energy modeling.
5	**Programs should expand the amount financeable through C-PACE to broaden its impact.** The CPA recommends that programs allow C-PACE financing of all the hard and soft costs attributable to energy saving measures and other eligible improvements. The CPA also welcomes programs that determine the financeable amount as a percentage of overall construction costs. This approach recognizes that eligible improvements in a new construction project are integrated in the overall structure and are not easily separated from the rest of the building. Some of these programs encourage higher energy efficiency with a sliding scale -- the greater the energy efficiency, the more C-PACE financing is permitted. This strategy may be effective if the baseline and the incentive are not too expensive to achieve. Savings-to-Investment Ratios (SIR) should be discouraged because of their inability to capture various subjective and objective criteria that property owners use to evaluate a project's viability. Instead, the amount that property owners may finance should be determined by sound financial underwriting criteria. CPA's white paper, Elements of a Well-Designed C-PACE State and Program to Attract Private Investment and Foster Transaction Volumes, discusses the SIR issue at length.
6	**Programs should avoid extraneous terms and conditions not called for in the C-PACE authorizing legislation.** For example, some programs go beyond the statute to require that the owner obtain a building commissioning study to verify the ECMs performance. Other programs add a requirement that the property owner report energy consumption for several years after installation of the improvements. A couple of cities require contractors to pay "prevailing wages." From a legal perspective, this type of wage regulation is questionable because C-PACE is not funded by taxpayer funds, so there is no legal nexus to support imposing government contracting requirements. In CPA's view, these requirements are detrimental to the goal of achieving high owner participation, which is the key to achieving the environmental and economic development impact. Especially when these requirements are not explicit in the C-PACE legislation, these items should be left to the owner's discretion.

Frequently Asked Questions: CPA's Perspective on C-PACE and New Construction

	CPA Perspective
Was C-PACE meant only for existing buildings?	Based on the success of C-PACE as initially conceived, lawmakers added new eligible uses of C-PACE to cover a wide range of property improvements. In all cases, C-PACE assists property owners in dealing with the up-front cost of property upgrades that create a public benefit. Making C-PACE available for new construction gives the builder/developer a tool to finance the up-front cost of improvements required to meet code – just as C-PACE was first envisioned to overcome the high cost of solar panels. If C-PACE programs can be enhanced with the addition of financing new construction, all stakeholders will benefit.
If new construction is allowed, should it be only for projects that exceed building code?	Achieving C-PACE's environmental and economic development goals requires high participation from property owners. C-PACE was never meant to be a form of financing available only for the most highly efficient buildings. "Green" builders will gravitate to innovative financing and energy-saving measures. It is the broader group of property owners and developers who need exposure to C-PACE. Given the massive need to improve our country's energy efficiency, policymakers should permit the broadest possible range of projects to qualify for C-PACE financing.
Is a good way to coax developers to construct high-efficiency buildings to establish a percentage above code for C-PACE eligibility?	it is not helpful to set an eligibility threshold for C-PACE financing at an arbitrary percentage above code. A high eligibility threshold is unlikely to motivate developers to construct a building with significantly higher efficiency performance than the one they had in mind. On the contrary, imposing a percentage margin above code is more likely to deter developers who see the eligibility threshold as a tax for using C-PACE financing. Restricting C-PACE financing to projects above a percentage above code eliminates projects with energy efficiency between code and the percentage above code.
Should C-PACE financing require the same energy standards and documentation as a utility rebate program?	C-PACE financing comes from private investors, with no government, utility ratepayer or taxpayer funds at risk. C-PACE is not a grant program, and its program requirements should be less burdensome and intrusive.
Does C-PACE for new construction encroach on traditional bank lending products?	C-PACE financing fills a need for a product not currently offered by banks, at least not with the same flexible features and competitive rates that C-PACE allows. Moreover, some banks actively participate in the C-PACE program. Banks' customer relationships are not jeopardized by C-PACE because in most jurisdictions, property owners must obtain the consent of their mortgage lender to proceed with the C-PACE financing. This requirement gives the existing lender control of the customer relationship, essentially a right of first refusal to lend the funds for the improvement, through traditional means or via C-PACE financing.

Courtyard by Marriott (Aurora, CO)

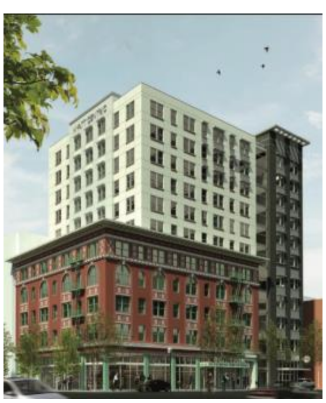
The Courtyard Hotel is a 140-room, new construction hotel in a transit-oriented community. Twain Financial Partners funded the project with $3.9 million of C-PACE financing. C-PACE is used to finance an energy-efficient HVAC system, water-heating system, and energy-efficient indoor/outdoor lighting.

Capitol District Residences (Omaha, NE)

The newly constructed $48.3 million Capitol District Residences project in Omaha, Nebraska utilized $7.1 million of C-PACE financing. The proceeds funded the cost of energy efficient lighting, heat pumps, elevators, roofing, and walls. Financing was provided by Petros PACE Finance.

"***The C-PACE financing solution will provide long-term stability for our capital stack, while paying for a significant investment in energy efficiency throughout the Capitol District***." Mike Moylan, President, Shamrock Development.

Hyatt-Centric Hotel (Sacramento, CA)



Without a cost-effective way to supplement the owner's equity, the proposed rehab and rebuild of a new upscale Hyatt Centric hotel in Sacramento, CA was at risk. When market conditions changed, Counterpointe SRE provided $10.2 million in C-PACE financing as a lower-cost alternative to raising more equity or floating-rate debt.

The property owner saved $1.5 million of interest cost during the development and stabilization period and will save $1.0 million in reduced energy costs over the 25-year life of the project.

Comparing State Programs to CPA New Construction Guidelines

Currently, C-PACE programs vary significantly in their rules for new construction projects. In this unsettled situation, CPA believes it may be helpful to compare the major state programs to CPA's recommendations. CPA notes three important caveats:

- The comparison is from the point of view of capital providers and transaction experts who assist property owners in applying for and closing C-PACE financing.
- CPA understands that local governments must work within the boundaries of the C-PACE legislation, and program administrators, in turn, must work within the boundaries of both the legislation and local ordinances. Program administrators have limited scope to adjust the program design.
- The comparison is based on research that CPA believes to be accurate as of the publication date. Modifications and updates to state statutes, local ordinances and program rules will certainly occur.

CPA believes its recommended guidelines will help achieve the stakeholders' common goals set forth at the beginning of this document. The following pages identify which states allow C-PACE financing for new construction projects, followed by a chart with the key provisions of a select group of state laws. Finally, CPA compares the programs to the CPA recommendations.

State Programs that allow C-PACE Financing for New Construction

	C-PACE Statutes That Allow New Construction		C-PACE Statutes That Do Not Allow New Construction		No C-PACE Statute or No Active C-PACE Program	
1	Arkansas		New York	Authorizing legislation pending.	Alaska	No program.
2	California		Texas	No greenfield construction.	Alabama	No program.
3	Colorado				Arizona	No statute.
4	Connecticut				Hawaii	No program.
5	Delaware	Local programs pending.			Idaho	No statute.
6	District of Columbia				Indiana	No statute.
7	Florida				Iowa	No statute.
8	Georgia	Atlanta allows one exclusive capital provider.			Kansas	No statute.
9	Illinois	Local programs pending. Chicago allows one exclusive capital provider.			Louisiana	No statute.
10	Kentucky				Maine	No statute.
11	Maryland				Mississippi	No statute.
12	Massachusetts	No C-PACE projects completed.			Montana	No statute.
13	Michigan				New Jersey	No program.
14	Minnesota	New construction allowed only in TIF districts.			New Mexico	No program.
15	Missouri	St. Louis allows one exclusive capital provider.			North Carolina	No program.
16	Nebraska				North Dakota	No statute.
17	Nevada	Local programs pending.			Oklahoma	No program.
18	New Hampshire	No C-PACE projects completed.			South Carolina	No statute.
19	New Mexico	Local programs pending.			South Dakota	No statute.
20	Ohio				Tennessee	No statute.
21	Oregon				Vermont	No statute.
22	Pennsylvania	Local programs pending.			Washington	No statute.
23	Rhode Island				West Virginia	No statute.
24	Utah				Wyoming	No program.
25	Virginia	Local programs pending.				
26	Wisconsin					

Note: The table is based on research that CPA believes to be accurate as of the publication date. Modifications and updates to state statutes, local ordinances and program rules will certainly occur. Readers should not rely on this information for investment decisions.

SELECTED STATE C-PACE PROGRAMS' RULES FOR NEW CONSTRUCTION PROJECTS

	California	Colorado	Connecticut	Michigan	Minnesota
Summary	Any energy saving measure is eligible for C-PACE if the project meets code. (NOTE: Calif building code is more energy efficient than the latest IECC or ASHRAE 90.1 standard.) The only constraint is the 5% rule – the total yearly payments of taxes and assessments (including C-PACE) cannot exceed 5% of the property's value.	Projects are eligible for C-PACE financing at 15% of total eligible construction costs (TECC) if project meets code. If proposed building's energy performance is designed to exceed code by 5% or more, then the project is eligible for C-PACE financing at 20% of TECC.	Projects that exceed code by 10% are eligible for C-PACE financing of 10% of TECC. For each 1% improvement beyond the 10% threshold, the project is eligible for an additional 1% of TECC, up to a maximum of 20%. (NOTE: C-PACE is combined with utility financial incentives.) The costs and benefits of on-site generation may result in increased C-PACE financing.	Statute does not mention new construction, but one program allows it. Must show energy savings better than code (not quantified). Contractor must guarantee savings. SIR caps the financeable amount. Through 2019, a project may calculate savings versus ASHRAE 90.1-2010 as an accommodation to the market.	C-PACE financing for new construction is available only in TIF districts. Qualifying energy improvements must show by an energy audit as repaying the financing in 20 years or less. Maximum principal amount may not exceed 20% of the assessed value of the real property. Some local governments allow 20% of the TIF's minimum assessment tax.
Current building code	CA title 24 (exceeds IECC-2015)	IECC-2015 (in metro areas)	IECC-2015 with amendments	IECC-2015	IECC-2012 with amendments
# New Const'n Projects	Numerous.	3 new construction projects	0 new construction projects	0 new construction projects	6 new construction projects

	Missouri	Ohio	Rhode Island	Utah	Wisconsin
Summary	Statute is silent on new construction. PAs have leeway to interpret that projects exceeding code (not quantified) are eligible.	Must exceed code standard for energy efficiency (not quantified) and be approved by ESID and city council. Any asset that reduces or is designed to reduce the use of energy qualifies. Design philosophy of allowing flexibility, broader access to financing, and community choice is more important than defining what qualifies.	"As designed" building energy performance must exceed the current building code by at least 15%. The C-PACE finance amount depends on the percentage the building energy consumption exceeds code. The maximum C-PACE finance amount cannot exceed 20% of the TECC.	Projects must exceed the current energy code by at least 5% to be eligible for C-PACE financing up to 10% TECC. Projects that exceed the code by >5% are eligible for C-PACE financing up to 20% of the TECC.	Must show energy savings better than code (not quantified). SIR caps the financeable amount. PACE Wisconsin allows a project to calculate savings versus ASHRAE 90.1-2007 as an accommodation to the market.
Current building code	No statewide code. Kansas City: IECC-2012. St. Louis County: IECC-2009.	IECC-2012	IECC-2012	IECC-2015	IECC-2015
# New Const'n Projects	1 new construction project	15 new construction projects	0 new construction projects	0 new construction projects	5 new construction projects

Note: This selection of states highlights differences in program design, and therefore is not comprehensive.

Comparing State Programs to CPA New Construction Guidelines

CPA Recommended Guidelines	Easiest-to-Use	Moderately Difficult	Difficult to Use
1. Overall alignment with CPA recommendations.	Welcomes new construction projects as a means of achieving environmental and economic development goals, a vibrant C-PACE market, and an excellent customer experience.	Allows new construction as a pilot program or with minor variations from CPA recommended guidelines.	Allows new construction with substantial differences from CPA recommended guidelines that impede the program's outcomes. OR New construction not permitted.
2. Design facilitates customer access to C-PACE for new construction.	Eases access to C-PACE for new construction without adding construction and compliance costs, friction in the processing, or limitations on access.	Adds minor construction and compliance costs, adds some friction in the processing, or imposes some limitations on access to C-PACE.	Adds significant construction and compliance costs, adds significant friction in the processing, or imposes significant limitations on access.
3. Baseline energy efficiency threshold is not arbitrarily high.	Meets code standards for energy efficiency, or demonstrates that building performance has capacity to exceed building standards (with no minimum margin above code).	Must exceed code standards for energy efficiency by a quantified amount, up to 10 percent above code.	Must exceed code standards for energy efficiency by a quantified amount, more than 10 percent above code.
4. Energy assessment requirements are reasonable, low-cost and user-friendly.	Assessment recommended for property owner's information, but is not necessary to qualify for C-PACE financing. Engineering drawings, equipment ratings, or ComCheck may be sufficient.	Whole-building audit is a mandatory requirement to demonstrate eligibility. Extensive documentation required.	Program administrator engineering staff involved in final evaluation of the energy savings of improvements.
5. Expand financeable amount to broaden impact.	All hard and soft costs of energy conservation measures and other eligible improvements. For programs that determine the financeable amount as a percent of total construction costs: projects that are code-compliant or just above code qualify for a significant financeable amount.	The amount of C-PACE financing is capped by an SIR test with accommodating definitions of what is included in "savings" and what is counted as "investment." For programs that determine the financeable amount as a percent of total construction costs: projects must be substantially above code to qualify for a significant financeable amount.	The amount of C-PACE financing in a project is capped by an SIR test with narrow definitions of what is included in "savings" and what is counted as "investment."
6. Avoid extraneous terms & conditions.	No extra terms or conditions beyond statutory requirements.	One extraneous requirement that adds unnecessary compliance burdens.	More than one extraneous requirement that adds significant and unnecessary compliance burdens.

New Construction: Comparing State Programs to CPA Recommended Guidelines

		California (Open PACE)	Colorado (CO PACE)	Connecticut (C-PACE)	D.C. (DC PACE)	Kentucky (KY PACE)	Maryland (MD PACE)	Michigan (Lean & Green)	Minnesota (Minnesota PACE)	Missouri (Show Me PACE)	New York State (NYSERDA)	Ohio (Ohio PACE)	Oregon (OR PACE)	Rhode Island (RI PACE)	Texas (Pace-in-a-Box)	Utah (Utah CPACE)	Wisconsin (PACE Wisconsin)
1	Overall alignment with CPA recommendations	Easiest-to-Use	Easiest-to-Use	Moderately difficult	Moderately difficult	Easiest-to-Use	Easiest-to-Use	Moderately difficult	Difficult to use	Moderately difficult	Difficult to use	Easiest-to-Use	Difficult to use	Moderately difficult	Difficult to use	Moderately difficult	Moderately difficult
2	Design facilitates customer access	Easiest-to-Use	Moderately difficult	Moderately difficult	Moderately difficult	Easiest-to-Use	Local variation / Moderately difficult	Moderately difficult	Difficult to use	Easiest-to-Use	X	Easiest-to-Use	Moderately difficult	Moderately difficult	X	Moderately difficult	Moderately difficult
3	Baseline energy efficiency threshold	Easiest-to-Use	Easiest-to-Use	Moderately difficult	Easiest-to-Use	Easiest-to-Use	Easiest-to-Use	Easiest-to-Use	Easiest-to-Use	Easiest-to-Use	X	Easiest-to-Use	Difficult to use	Difficult to use	X	Moderately difficult	Easiest-to-Use
4	Energy assessment and documentation	Easiest-to-Use	Difficult to use	Difficult to use	Moderately difficult	Easiest-to-Use	Easiest-to-Use	Difficult to use	Moderately difficult	Easiest-to-Use	X	Easiest-to-Use	Difficult to use	Difficult to use	X	Difficult to use	Moderately difficult
5	Financeable amount	Easiest-to-Use	Easiest-to-Use	Moderately difficult	Moderately difficult	Easiest-to-Use	Local variation / Difficult to use	Moderately difficult	Difficult to use	Moderately difficult	X	Easiest-to-Use	Moderately difficult	Moderately difficult	X	Easiest-to-Use	Easiest-to-Use
6	Extraneous terms & conditions	Easiest-to-Use	Easiest-to-Use	Difficult to use	Moderately difficult	Easiest-to-Use	Moderately difficult	Easiest-to-Use	Easiest-to-Use	Easiest-to-Use	X	Easiest-to-Use	Difficult to use	Difficult to use	X	Moderately difficult	Difficult to use

Comparison of State Program to CPA Guidelines

Easiest-to-Use	
Moderately difficult	
Difficult to use	
Local variation	
New construction not allowed	X