



Property-Assessed Clean Energy (PACE):

**Helping Municipal Governments Finance Energy
Efficiency Improvements**

WHITE PAPER

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Background

The current economic climate has had a significant impact on the implementation of renewable energy and clean energy technology. With many state and local governments facing budget shortfalls, public resources for renewable energy and energy efficiency programs have become less available. Commercial and residential property owners concerned about upfront costs, lack of access to capital and regulatory hurdles have also been dissuaded from making capital investments in energy.

PACE Programs

Property Assessed Clean Energy (PACE) programs were created to help municipalities make it easier and more cost-effective for homeowners and businesses to invest in clean energy. These programs reduce the risk for municipalities, property owners and mortgage companies, and have been embraced nationwide as a cost-effective way to spur investment in renewable energy and energy efficiency without burdening taxpayers or significantly impacting budgets.

In a PACE program, a municipality facilitates the financing of clean energy projects improvements and administers the long term obligation to pay for the project. The benefits derived from PACE programs are both varied and significant.

Municipalities reap rewards from PACE because it stimulates job growth. In October 2009, Vice President Joe Biden, Department of Energy Secretary Stephen Chu and Department of Housing and Urban Development Secretary Shaun Donovan announced that PACE would be a “major component of the national ‘*Recovery through Retrofit*’ plan to create jobs and reduce energy costs for families.”¹

Property owners benefit from the program because it does not demand much up-front capital and the payment obligation is amortized on the property rather than the individual.

Financial institutions benefit from PACE because the program is managed by professional administrators and billed through assessments on the property, thereby minimizing credit risk.

BENEFITS TO MUNICIPAL GOVERNMENTS	BENEFITS TO HOMEOWNERS AND BUSINESSES	BENEFITS TO FINANCIAL INSTITUTIONS
<ul style="list-style-type: none"> • Promotes investment in clean energy • Stimulates job growth • Cost-effective • No credit risk and minimal impact on budget 	<ul style="list-style-type: none"> • Eliminates upfront cost barrier • Lower energy bills • Payment obligation attached to property • Easy repayment through assessment on property 	<ul style="list-style-type: none"> • Minimized credit risk • Managed by professional administrators

¹Source: McLaughlin, S. (October 20, 2009). “Vice President Biden announces that PACE retrofit finance will be key component of our nation’s ‘*Recovery Through Retrofit*’ program”. Pacenow Coalition, www.pacenow.org.

PACE Authorization

Most communities will require legal/legislative authority to establish special improvement districts for implementation of PACE programs. *Database of State Incentives for Renewable and Efficiency* (www.dsireusa.org) is a good source of up-to-date information on PACE legislation. Approval by a City Council, County Board of Supervisors or other legislative body may be required. Many localities nationwide have established special improvement districts which employ this financing model. These are known by a variety of names, including Energy Loan Tax Assessment Programs (ELTAPs), SMART Loan Programs, Sustainable Energy Financing Districts, Clean Energy Assessment Districts (CEAD), Contractual Assessment Districts, Energy Financing Districts or Special Tax Districts.

Getting Started

Municipalities interested in establishing a PACE program must consider several elements of program design, planning and administration that are crucial to the program's success.

In most cases, PACE program details are determined at the local level and will vary depending on state, city, county or local government regulations. Municipalities that are interested in implementing PACE programs should evaluate all requirements, limitations and financial considerations associated with PACE implementation. The following are three key steps for implementing PACE:

1. Program Design and Planning

This step includes designing a number of key program elements; determining district boundaries, eligible clean energy improvements and eligible properties; identifying sources of capital and financing options; evaluating loan repayment options; and proposing methods to protect property owners against fraud or substandard work. Program design integrates the municipality's energy efficiency targets and stakeholder issues to create a shared vision of objectives and goals for the program.

Securing funding is a critical step to making PACE a reality. Funding considerations include municipal bonds, energy tax credits, public-private partnerships, products from local banks, credit unions, community development financial institutions (CDFIs), Department of Energy (DOE) State Energy Program funding, Recovery and Reinvestment Act (ARRA) funding or other options for raising capital.

As part of the design phase, localities should solicit public comment and involvement from key stakeholders, including local government officials, property owners, energy experts, contractors, utilities, clean energy technology providers, and federal agencies.²

2. Program Administration and Management

The next step is to evaluate whether your organization has the in-house capability to manage the PACE program. Program administration and management has a number of key components, which may include:

²Source: Fuller, M; Kunkel; C; Kammen, D. (September 2009). "Guide to Energy Efficiency & Renewable Energy Financing Districts for Local Governments." Renewable and Appropriate Energy Laboratory (RAEL), University of California, Berkeley. <http://rael.berkeley.edu/sites/default/files/old-site-files/2009/FullerKunkelKammen-MunicipalEnergyFinancing2009.pdf>

Public outreach: Engaging and educating homeowners, building owners, contractors and key stakeholders about the program and its benefits.

Loan application tracking and monitoring: Tracking and monitoring the overall status from the start of the loan application through eligibility verification, credit checking and monitoring, loans disbursement and loan repayment. Ensuring accurate and complete loan origination files, including credit bureau reports, credit analyses, loan contracts, and other required documents.

Applicant screening: Verifying program eligibility, delinquencies on federal debt, delinquencies on state debt, valid property title, creditworthiness, liens on property, defaults or judgments.

3. Program Oversight

The third step is to implement effective quality assurance, monitoring and reporting programs to ensure program accountability and transparency.

Quality assurance: Preventing fraud, identifying operational deficiencies, ensuring data integrity and managing risk; contractor screening; random inspections of clean energy installations.

Program compliance and monitoring: Tracking compliance with program goals, objectives, and federal, state, city, county or local government regulations.

Program reporting: Providing regular status updates and statistical reports on program control measurements, application approvals, bond status, disbursements and collections, and other relevant statistics.

PACE has achieved strong support because it offers a source of financing to fund clean energy and fairly amortize payback. Across the nation, PACE is being used to spur investment in energy efficiency and renewable energy. Now is the perfect time to take advantage of this positive momentum to get started with your own PACE program.

Learn More

Reznick Group's renewable energy team can guide you through the initial steps for designing and implementing a PACE program. We offer turnkey business advisory and project management services for program administration, stakeholder coordination, eligibility screening, process automation, reporting, monitoring and compliance.

For more information, please contact:

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