Property Assessed Clean Energy

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NEW ENERGY INDUSTRY TASK FORCE TECHNICAL ADVISORY COMMITTEE on CLEAN ENERGY SOURCES

Summary

- PACE Introduction
- Key Details
- Past and New – Forms of Security
- Government Involvement
- Logistics of a PACE Program
- Complement to Future Efforts
- Economic Benefits
- Proposed Legislation

PACE Introduction

- WHAT: PACE is **<u>P</u>**roperty **<u>A</u>**ssessed **<u>C</u>**lean **<u>E</u>**nergy finance program
    - Energy efficiency improvements
    - Renewable energy installations
- HOW: Provides a method of financing
  - Uses Special Improvement District statute to attach a lien to the property that is superior to a mortgage
- WHY: Satisfies the need for long term financing for interested commercial property owners
  - Energy improvement projects often have longer payback periods
  - Repayment transfers to new owner if property is sold
  - Is a scalable and off balance sheet

PACE Introduction

- States with PACE-enabling legislation: 32 plus D.C.
- States with active PACE programs: 16
- PACE Programs in operation: 35
- Commercial financing (2009-2015) $93 million
- Residential financing (2009-Current)
  - $1.69 billion on 82,000 homes
  - $230 million on 734 commercial buildings
- Funding by type:
  - 48% Energy Efficiency
  - 39% Renewable Energy
  - 14% Mixed

(source: www.pacenow.org)

Key Details – Public Impact

- PACE can not be used for public projects
- Municipality can not back the debt
  - There is no practical exposure to the debt rating of:
    - The local municipalities involved in PACE directly
    - The State or any other municipal entity
- Property is explicitly private not public
- Public procurement laws are not applicable

Forms of Security for the Loan

- Other PACE programs around the country are backed by municipalities
- Lenders are providing capital to those programs based on the security provided by the municipality
- Last year loans provided solely on the lien to value ratio!!
- Lenders don’t ask to see the financial reports of the commercial property owner – scalable
- PACE does not overly restrict the municipality from creating a program and allows for different underwriting standards to be utilized

Government Involvement

- In order for the lien to be attached to a property in a superior position to existing mortgages legislation is required
- For debt to be issued under NRS 271 the municipality must acknowledge and authorize the issuance of debt
  - Limited to conduit issuance role
  - Debt rating not in jeopardy
  - City of Las Vegas reports no delinquencies in $88 million in outstanding developer backed SID debt
- The billing and collection of debt payments can be outsourced by the municipality
- Any costs that the municipality can identify may be recaptured in the program

Logistics of a PACE Program

- Municipality could designate their entire entity an Energy Improvement District (EID instead of SID)
- Municipality would have to identify some program parameters:
  - Is there an existing non-profit entity that can administer the program
    - Identify commercial participants
    - Identify auditors and contractors
    - Provide information and documentation to governing body of the municipality
  - One model will provide a template for others
- When projects reach the point where construction may begin the municipality would issue a bond or warrant repaid solely by proceeds from the projects
- Liens get recorded
- Debt service collection process determined (similar to SIDs)

Logistics of a PACE Program

- In the event of a default the unpaid assessment simply accrues on the property, with interest and penalties
  - Lender will be repaid when a new owner takes over the property
  - Payment of an uncollected assessment is similar to payment of unpaid taxes
- When the debt is paid off the property simply leaves the assessment district (Energy Improvement District)

Complement to Future Efforts

- The ability to attach a lien to the property can be used with other incentives
  - Federal tax credits for solar
  - Utility incentives
  - State or local government incentives – strong interest by municipalities in NV
  - Grants
  - Existing financing programs through the Governor's Office of Energy
- Complements Green Bank efforts currently being researched by the Governor's Office of Energy

Economic Benefits of Energy Projects

- RCG Economics of Las Vegas, NV (John Restrepo) was commissioned to look into the benefits of energy improvements including PACE financing
- Total Economic benefits include:
  - Direct Benefits – one time investment in construction
  - Indirect Benefits – wholesale purchases
  - Induced Benefits – goods and services purchased by employees
- Multiplier for energy improvements estimated to be 1.56
- Number of jobs created by energy improvements are 41% greater than jobs created from non-energy efficiency related spending

Additional Benefits of Energy Projects

- Reducing utility expenses leads to greater profitability
- Increased property values
- Job growth in the local economy
- Improved occupant health and productivity
- Provides a long term solution for a long term project
- Demonstrates leadership
- Larger environmental benefits

Proposed Legislation – (SB 250 from 2013) Amends NRS 271

- Each participant consents in writing (each property owner participates voluntarily) Page 2 line 5
- Property may not be "underwater" Page 2 lines 33-39
- Liens must be recorded Page 2 lines 40-45
- Nevada contractors must be used Page 3 line 12
- Must be private property Page 3 lines 31-34

Proposed Legislation– (SB 250 from 2013) Amends NRS 271

- Gives municipality the ability to determine procedures Page 3 lines 38-41 then (a) through (j)
- Debt is not backed by the municipality Page 4 lines 41-44
- Proof of payment to contractor is required Page 6 lines 25-45 onto Page 7 lines 1-5

Conclusion

- SB 250 from 2013 session
- There is strong support from local municipalities
- Strong statewide industry support
- Focus of Governor's Office of Energy
- There are many Nevada-based interests that are interested in this bill and in its passage

PACE

Questions?
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