



## **Bringing PACE\* Solar Financing to Your Town** *City Loan Programs for Residential Solar*

### **Six Step Roadmap for Establishing a PACE Program†**

Across the country, cities are helping their residents go solar by offering solar energy loans through a new concept known as Property Assessed Clean Energy financing (PACE). Here's how it works. By issuing a low-interest bond, cities can offer loans to homeowners to undertake renewable energy and energy efficiency improvements. Homeowners opt-into a special clean energy finance district and then pay the loan back through a long-term assessment on their property taxes. This arrangement spreads the cost of a new solar system out across a 20-year payment plan that is easily transferable to the next property owner if the current resident decides to move. The cost of that assessment is typically less than the electricity bill savings generated by the new solar system. It's a win-win situation: homeowners are empowered to develop abundant local renewable resources without impacting a city's budget.

#### **1. Determine legal authority for creating clean energy finance districts & pursue enabling legislation if needed.**

Most communities will require authorization from the state legislature to allow local governments to collect a special tax or assessment to pay for energy efficiency or renewable energy improvements on private property. CA, CO, FL, LA, NC, NV, NM, MD, OH, OR, TX, VA, VT, and WI already have enabling legislation on the books. Other states will need to determine if the authority exists in current law.

#### **2. Identify local lead staff and advisors.**

Once authority to create special financing districts exists, the local government should evaluate whether capacity exists in-house to manage this program or whether it will need to engage financial or administrative partners. Partnerships can range from a turnkey administrative and financial partner that handles all the processing and bond purchasing to the targeted use of outside expertise.

#### **3. Design the program to meet specified goals, with input from stakeholders.**

The planning for a PACE program should integrate the local government's greenhouse gas reduction targets or economic development and workforce development goals. To ensure success, it is important to engage local stakeholders and potential partners to assist in determining program goals, key program design elements, and criteria for eligible improvements.



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#### **4. Secure funding.**

Funding options for local governments are numerous. In Berkeley, their program relies on investment entirely from a financial firm working with a commercial line of credit from a local bank. Palm Desert and Sonoma County are utilizing unallocated reserves to issue loans. Another possible source of funds is Energy Efficiency and Conservation Block Grants (EECBG), a portion of which can be used to support the creation of clean energy financing districts.

#### **5. Formally create the special tax district or tax assessment district.**

This step will likely require several actions by the City Council or County Board of Supervisors for various approvals. Processes for the creation of the special financing district will vary from state to state, and county to county.

#### **6. Launch Program!**

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\*PACE – property assessed clean energy.

†Recommendations summarized from the following report: “Guide to Energy Efficiency & Renewable Energy Financing Districts For Local Governments.” September 2009. The Renewable and Appropriate Energy Laboratory (RAEL), University of California, Berkeley. Authors: Merrian c. Fuller, et al.. Full report: <http://www.votesolar.org/city-initiatives/FullerKunkelKammen-MunicipalEnergyFinancing2009.pdf>.