



PACE (Property Assessed Clean Energy) Financing

A Policy to Help Property Owners Access Financing for Renewable Energy and Energy Efficiency Improvements

FREQUENTLY ASKED QUESTIONS

What is PACE?

PACE is a program designed to allow property owners to install small-scale renewable energy systems and make energy efficiency improvements to their buildings and pay for the cost over its functional life (e.g. 20 years for solar PV) through an on-going assessment on property tax bills. The program is 100% voluntary -no property owner pays additional taxes or fees unless they have work done on their property as part of the program. Program participants pay only for the cost of their project (including interest) and nominal fees to administer the program. Individual property owners contract directly with qualified private contractors for energy efficiency and renewable energy projects. The municipality provides the upfront funding for the project through proceeds of a revenue bond issuance, which is repaid from assessment on participating property owners' tax bills.

PACE addresses two barriers to adoption for clean energy and energy efficiency installations – the high up-front cost and the possibility that those costs will not be recovered if the property is sold. Under the PACE plan, there is no up-front cost to the property owner, and generally if the property is sold prior to the end of the repayment period the new owner takes over the remaining special tax payments as part of the property's annual tax bill.

Considerations for a City

What are the benefits to a city of developing a PACE program?

PACE can be a significant component of a city's effort to reduce local greenhouse gas emissions, to promote energy efficiency improvements in its buildings, to make the shift to renewable sources of energy more affordable, and to reduce energy costs for residents and businesses. PACE poses little to no liability or exposure to a city's general fund. Thus, a city can implement a clean energy financing program and recoup almost all costs of running the program through a pass-through to participating property owners. PACE can drive local economic development by ensuring that local solar installers and renewable energy companies are integral partners in the program. A side benefit of PACE is spurring local job creation.

Who will provide the up-front funding for the program?

Cities and counties provide funding for the program through the issuance of a bond that is repaid through special taxes or assessments on the annual tax bill of participating property owners.

How long does it take to launch a PACE program?

Once enabling legislation is passed, the process for adopting and implementing PACE is very similar to establishing any other special tax or assessment district. Approximately 3 to 12 months depending on the city council's approval process and schedule.

Why is PACE necessary when private financing options already exist?

There are several financing options available in the market, including third party finance options such as a Power Purchase Agreement (PPA), solar leases, home equity lines of credit, and consumer loans. Municipal financing represents yet another option. Ultimately, property owners will determine which mechanism works best for their situation. However, PACE does have several benefits that should be noted, including:

- A) The lien stays with the property and is transferred as the property changes hands. This removes a long-standing barrier to homeowners making energy improvements.
- B) PACE loans are available to cover whole house energy improvements--including energy efficiency, solar photovoltaic, solar hot water, and even water conservation--for which innovative financing mechanisms are not widely available.

Considerations for a Participant

What are the benefits of PACE to property owners?

Key benefits include: 1) PACE, like a solar lease or power purchase agreement, does not rely on, or draw down, a property owner's available credit line. 2) Property owners enjoy decreased utility bills. 3) Finally, the repayment obligation attaches to the property not the property owner, and as such generally allows for seamless transferability when the property changes ownership. Given that the average American moves out of their home every six to nine years while repayment for deep energy retrofits and solar investments may take longer, transferability of financial obligation is a crucial benefit of PACE.

What is the amount of increase in a participant's property taxes?

Participants only pay a tax exactly equal to the cost of their project plus a pass-through charge to help cover program overhead (e.g. administration and finance costs). The assessment will vary depending on the types of improvements installed. Check out Renewable Funding's Payment Calculator for more information: <http://www.renewfund.com/pace/property-owners>.

How much will a participant save on their electric bill?

Every property is different. For most property owners, a few simple calculations, based on a potential participant's current energy consumption, can estimate the expected reduction in their utility bill. The goal is for utility bill savings from solar and efficiency improvements to be the same or greater than the amount of the incremental property taxes during the 20-year financing period.



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What happens if a participant sells their property?

Typically, the energy systems are part of the property and therefore ownership of the energy system transfers to the new owner at the close of the real estate sale along with any remaining tax obligation. For instance, if a participant sells their property prior to the end of the 20-year tax period, the new owner takes over the tax obligation as part of the annual tax obligation on the property. Note that the improvements may in many instances continue to provide energy savings long after the assessment has been paid off.

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