

INTRODUCTION TO PACE FINANCING FOR CITY OFFICIALS

UNLOCKING ENERGY EFFICIENCY FINANCING WITH PROPERTY ASSESSMENTS

Property Assessed Clean Energy (PACE) is an innovative model for financing energy efficiency, renewable energy, or water conservation projects in commercial and residential properties. Since its inception in 2007, PACE has provided nearly \$6 billion in project financing across the U.S.

The program has the potential to overcome some of the major barriers to greater energy efficiency adoption, such as large up-front costs, difficulty obtaining financing, and split incentives between owners and tenants. In addition, there is enormous potential for cities to leverage policies like mandatory benchmarking and audit ordinances to support PACE uptake in the commercial sector.

HOW PACE WORKS...

PACE is a national initiative, but programs are established locally and tailored to meet regional market needs. PACE requires state legislation that authorizes municipalities to establish PACE programs. PACE is voluntary for all parties involved and programs can be set up to focus on the commercial (C-PACE) or residential markets (R-PACE).

FINANCING	LOANS ARE LINKED TO PROPERTY	MUNICIPAL ROLE
<ul style="list-style-type: none"> • PACE can cover 100 percent of a project’s hard and soft costs • Rigorous set of eligibility and underwriting requirements • Financing terms up to 20 years • Can be combined with utility, local and federal incentive programs 	<ul style="list-style-type: none"> • Energy projects are permanently affixed to a property • The PACE assessment is filed with the local municipality as a lien on the property, which is typically senior to other loans attached to the property 	<ul style="list-style-type: none"> • Many cities have chosen to outsource program set-up and administration to third party operators • Several states have sought to achieve greater economies of scale by promoting state-wide or multi-jurisdictional PACE programs • Most programs use private sector capital to fund loans

BEST PRACTICES FOR CITY OFFICIALS

- Leverage expertise of an experienced third-party administrator
- Aim for economies of scale by partnering with other cities or adopting a region-wide approach
- Transition to using mainly private capital (instead of valuable city, grant, or foundation funds)
- Actively support program stakeholder engagement and education
- Piggyback off of other related energy efficiency or green energy programs (leveraging contacts, stakeholder outreach, additional financing, etc.)



Browse all financing resources in the **CITY ENERGY PROJECT RESOURCE LIBRARY**

[VIEW RESOURCES >](#)

ACCOMPLISHMENTS TO DATE

- PACE is growing with at least 33 states and the District of Columbia having passed PACE enabling legislation.
- Residential programs, the original focus of PACE, represent 5 times more activity than commercial programs.
- However, commercial activity has grown steadily in recent years, averaging 91% annual growth since 2011.
- Challenges to date include: administrative burden in program creation, competition from private sector financing options, lender consent requirement, and low program awareness among contractors.

COMMERCIAL PACE COMPARED TO RESIDENTIAL PACE

SECTOR	TOTAL FINANCING	TOTAL CLOSED PROJECTS
C-PACE (commercial)	\$728 million	1,714
R-PACE (residential)	\$5,172 million	220,000

Source: <http://pacenation.us/pace-market-data/>



LEARN MORE

MinnPACE Case Study

The City Energy Project Resource Library features the [MINNPACE CASE STUDY](#), and Minnesota's successful implementation of a PACE financing program.

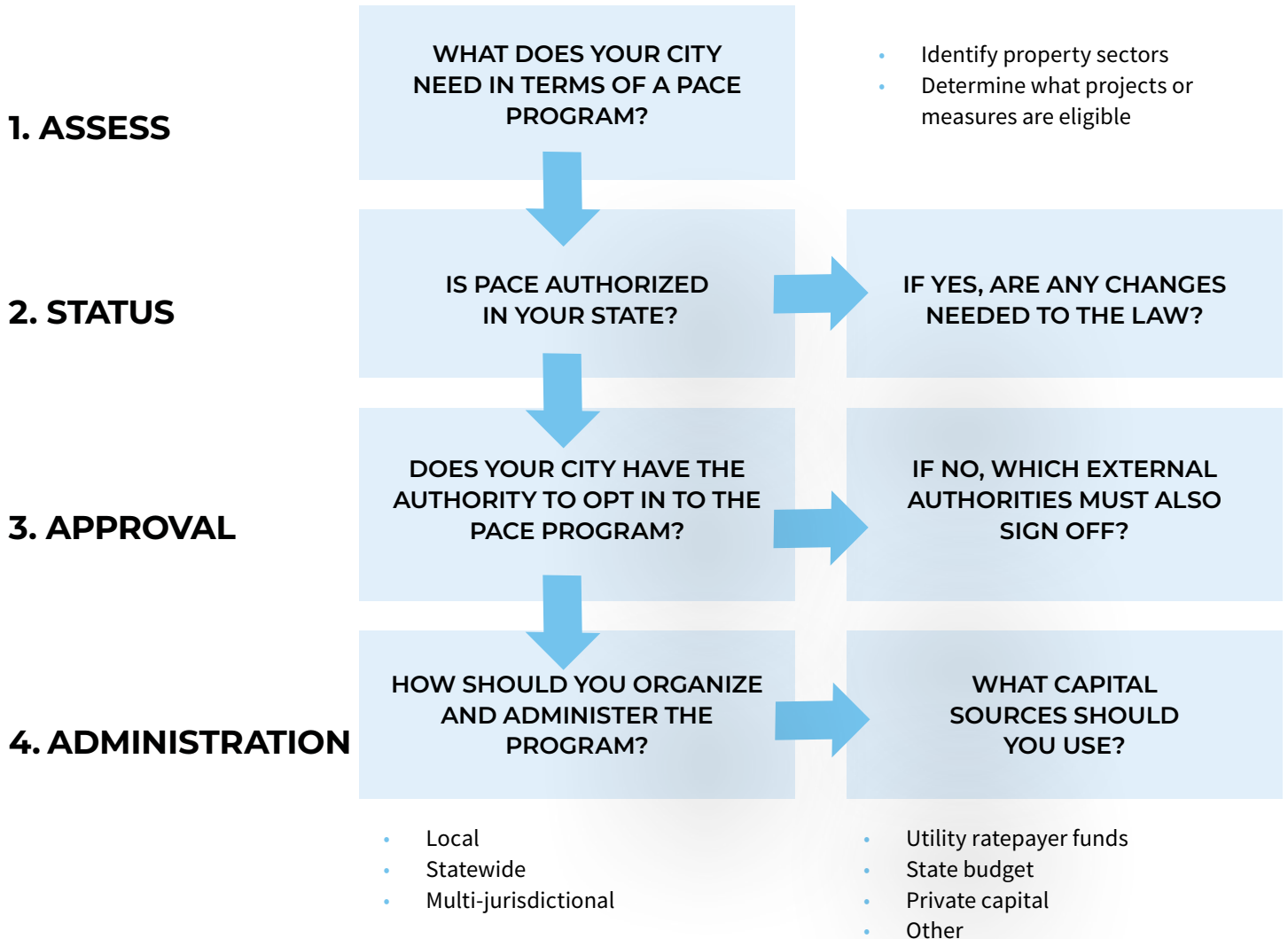
[VIEW CASE STUDY >](#)

Connecticut C-PACE Program Administration and Transparency Case Study

The City Energy Project Resource Library features the [CONNECTICUT C-PACE CASE STUDY](#), and Minnesota's successful implementation of a PACE financing program.

[VIEW CASE STUDY >](#)

RECOMMENDED PROCESS FOR CITY OFFICIALS CONSIDERING A PACE PROGRAM



ADDITIONAL RESOURCES:

ASSESS:	STATUS:	ADMINISTRATION:
<ul style="list-style-type: none"> COMMERCIAL PACE FEASIBILITY STUDY FOR MULTNOMAH COUNTY, OR. 	<ul style="list-style-type: none"> PACENATION - PACE ENABLING LEGISLATION CHECKLIST U.S. DEPARTMENT OF ENERGY: COMMERCIAL PACE FACT SHEET U.S. DEPARTMENT OF ENERGY: BEST PRACTICE GUIDELINES FOR RESIDENTIAL PACE PROGRAMS 	<ul style="list-style-type: none"> LOCAL: SONOMA COUNTY PACE REPLICATION GUIDANCE FOR LOCAL GOVERNMENTS STATEWIDE & MULTI-JURISDICTIONAL: NASEO: ACCELERATING THE COMMERCIAL PACE MARKET – STATEWIDE PROGRAMS IN PACE FINANCING