

Property Assessed Clean Energy

Property Assessed Clean Energy (PACE) is a new and innovative financing option for energy efficiency, water conservation and renewable energy projects. Unlike most traditional forms of financing, projects are funded at 100% requiring zero up-front capital for terms of 20 years or more at fixed interest rates. This eliminates extended payback concerns typically associated with technologies such as solar and geothermal. The loans are non-recourse, and also include maintenance and end-of-life replacement costs. They're repaid by a voluntary special property tax assessment, similar to those levied for sidewalks, streets, sewers and other public improvements. In addition to lowering monthly operating expenses, PACE projects increase the marketability of property - both for lease or sale - due to higher occupancy levels and lease rates.

Benefits of PACE vs. Traditional Financing

There are a number of key benefits of PACE versus traditional financing options:

Because a PACE loan is a tax, it can - at the building owner's discretion - be considered off-balance-sheet. It's an expense rather than a long term liability. PACE loans can also be used to refinance recently completed energy efficiency projects providing "new found capital". A number of states also provide building owners with the option of self-financing their own PACE projects. Considering PACE loans "run with the land", upon sale of the property the loan is not paid off, but rather the new owner is responsible for continuing the repayments.

	PACE	Bank or Private Loan
Downpayment	0%	Up to 20% Asset Value
Finance Rate	Market Rate	Competitive
Term of Loan	10-30 Years	1-7 Years
Debt Capacity	Remains the Same	Reduced
Upon Sale	Lien Tied to Property	Balloon
Recourse to Owner	None	Usually

The maximum PACE loan is roughly 30% of the property's PACE assessed fair market value, but this is set by the PACE lender and PACE administrator and can vary from this level. The same is true for the minimum value of a PACE loan, although a good rule of thumb is about \$200,000.

PACE Qualifications

Buildings

- Most commercial, industrial, non-profit and multi-family buildings. In some states residential and government buildings also qualify
- Building must be in a PACE district
- Business is basically healthy and likely to continue to use the property for the foreseeable future
- Building owner is not delinquent on property or income tax bills
- Property is not overly leveraged - typically 80% or less - but this is at the discretion of the PACE lender and PACE District

Applications

Generally, if the energy savings can be measured, the project qualifies for PACE. However some states do have exceptions. For example, the state of Michigan does not allow PACE to be used for financing incinerators or bio-digesters. Examples of qualifying projects include:

- HVAC Systems
- Water Heating Systems
- Lighting and Controls
- Electric Motors
- Energy Control Systems
- Compressed Air Systems
- Combined Heat & Power Systems
- Renewables (Solar & Wind)
- Water Conservation Measures
- Building Envelope Improvements

For more information about funding an energy efficiency, water conservation or renewable energy project with PACE please contact The Energy Alliance Group of North America at (844) 324-6424.