

Fact Sheet - Property Assessed Clean Energy (PACE) Loan Programs

What is PACE

PACE is a loan program for property owners to finance energy efficiency and renewable energy measures for their properties such as: chillers, boilers, controls, solar, lighting, & windows.

PACE loan programs are implemented by localities because the loan is secured by a priority lien (equal to tax lien) and the loan is repaid as a special assessment, like a tax assessment. Localities are compensated for the work associated with placing the lien on the tax roll, typically through a fee on the PACE assessment.

Priority lien status (equal to tax lien) of the PACE loan is only granted if the existing mortgage holder voluntarily subordinates their lien to the PACE lien. Over 60 lenders have consented to PACE assessments in other states.

Private capital providers are permitted to fund PACE loans. Many banks and specialty lenders are now entering the PACE lending market. United Bank (a Virginia, Maryland, DC, West Virginia regional bank) would like to make PACE loans in Virginia. Bank of America has committed \$75 million to fund loans in the New York State commercial building PACE loan program.

Benefits of PACE

PACE financing has many features that can uniquely solve barriers to the adoption of energy efficiency and renewable energy investments in our buildings:

- 100% financing requires no up-front cash investment.
- Long-term financing (up to 20 years) results in immediate positive cash flow
- Loan is not paid off at sale- it transfers to the new owner (like a tax assessment)
- PACE assessments can be passed through to tenants if allowed for by the lease covenants.

National PACE Activity

PACE is a national initiative with enabling legislation adopted in over 30 states and the District of Columbia. There are currently 33 active PACE programs (25 commercial and 7 residential), which have financed over \$100 million in PACE assessments in over 250 commercial buildings. The commercial building PACE program in Connecticut has funded over \$60 million of PACE loans and has a \$100 million pipeline.

New PACE Legislation Introduced in the 2015 General Assembly session

HB 1446 (Delegate Danny Marshall) and SB 801 (Senator John Watkins)

- Enables localities to create PACE loan programs and hire third party administrators to operate PACE programs and charge fees to PACE borrowers to cover administrative costs.
- Commercial and multifamily buildings (except condos) are eligible for PACE loans
- PACE loans have tax lien status subject to subordination from the existing mortgage holder
- PACE loan is repaid as a special assessment

PACE represents a significant economic development opportunity in Virginia. The stakeholders below would all benefit from a robust commercial building PACE program in Virginia.

- 1) Commercial, industrial and multi-family building owners
- 2) Contractors, consultants and engineers
- 3) Localities seeking to create jobs and improve the building stock
- 4) Lenders (PACE loans- a new loan product to offer)