

Good Practice Factsheet

USA – PACE: Property Assessed Clean Energy

Topic	Offer side: energy services for small clients
Name of work programme/project	Financing Clean Energy: PACE, Property Assessed Clean Energy
Project scope and description	
Short description of the programme & what it hopes to achieve	<p>Financing barriers are particularly relevant for low-income households who are unable to borrow at any interest rate due to their economic status or “credit worthiness”. A key point is how policy can create the right conditions for such investment to occur, especially when the lack of access to capital tends to stall them. A Property Assessed Clean Energy (PACE) policy focuses on the upfront cost in energy improvements. It is structured to enable local governments to raise money through the issuance of bonds to fund clean energy projects. This programme allows residential property owners to install energy efficiency measures, solar thermal, and solar PV, while paying for the cost over a 20 year period through a special tax which is collected as a line item on the property tax bill. If the property is sold before 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. The long repayment period and transferability of the payments allow property owners to invest in deeper energy savings and renewable projects that pay back over a longer period than many existing financing options allow. PACE addresses high initial cost and the concern of some property owners that they will not get the full benefit of their investment if they sell the property. It is a powerful scheme for regional and national governments to reduce energy consumption and to cut emissions while ensuring broad financing contributions.</p>
What is the scope of the project? e.g. - National/regional/local - Building type/owner	<p>PACE scheme represents a powerful example of an intellectual innovation that is broadly applicable to fostering a profitable transition to a clean energy economy at the local, regional, national, and global levels. In the United States, 28 states enacted legislation and programmes that have been implemented through city, county, and state-level initiatives.</p>
Who are the key people involved? e.g.: - Installers - Local Authorities	<p>We estimate that the process for developing an Energy Financing District to the point of launch should take 6 to 12 months once there is enabling legislation, depending on approval schedules and the amount of resources a local government is able to direct towards this effort. Drawn from the experience of existing programmes, these are the steps to create a programme:</p> <p>Determine authority for energy financing districts (pursue enabling legislation if needed). Most communities will require authorisation 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 (Depending on implementation level: national or regional);</p> <p>Identify key staff and advisors</p> <p>The local government should evaluate whether capacity exists in-house to manage this programme 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. Important team members for planning and implementation include:</p>

	<ul style="list-style-type: none"> ● General Management, oversight and coordination ● Marketing the programme and responding to public request for information ● Processing and approving applications ● Collecting appropriate documents and recoding the tax lien ● Bond issuance ● Property Tax Administration ● Programme evaluation <p>Design the programme to meet specific goals The planning for this programme should integrate the government’s greenhouse gas reduction targets or economic development, particular attention should be given to determine:</p> <ul style="list-style-type: none"> ● Programme goals ● Key programme design elements ● Criteria for eligible improvements <p>Secure funding The ability to fund these types of districts is perhaps the biggest hurdle for many policy makers. Governments with large reserves may benefit from the financing as one of their investment portfolio strategies. Funds may come from regional investment portfolio strategies or from financial partner.</p> <p>Formally create the special tax district This step is likely to require several actions by Government, Authority or agency. There are two way to do this through “assessment” on the property tax bill or through “special tax”.</p> <p>Launch programme Once the legislative actions are completed, programme marketing and outreach should focus on education: energy savings, reduction greenhouse gas emissions etc.</p> <p>Consequently key people are:</p> <ul style="list-style-type: none"> ● Local Government ● Banks/financial partners ● Contractors/Installers ● Advisors
Who was the target audience?	Financing barriers represent a notable obstacle for energy improvements and this is particularly the case for low-income households. Target policy is low income households (homeowners).
How was this work	Depending on the capacity of the local government, it may be helpful to engage

programme/ project financed?	financial and service partners to provide support. Typically projects are financed by private sector: banks, financial institute, and insurance companies. Using public monies, grants when available.
What was the cost of the work programme/project?	We provide a hypothetical budget based loosely on existing programmes to give a sense of the types and scale of income and expenses that a local government considering this programme might expect. The sample budget assumes 800 projects financed in a year with an average project cost of \$15,000 for a total of \$12 million in funding. These are just estimates, but should give local government leaders who are planning the details of an Energy Financing District a place to start. The costs are separated into set-up costs, initial expenses that tend to be linked to volume (though some of these categories will see economies of scale, such as marketing), and on-going costs that are based on volume (these are costs related to the annual processing of payments). Estimated administration, finance and other cost are about \$560,000.
When did it start and end?	PACE scheme was introduced in 2008 (Berkeley was the first pilot programme). In the United States, 28 states enacted legislation and this policy is still in place.
Project Outcomes & Communication	
What were the key achievements?	Main results collected on August 2009: Berkeley (CA): 38 projects, average value \$28,000, \$1M committed; Palm Desert (CA): 206 projects, average value \$36,000, \$7.5M committed; Boulder County (CO): 393 projects, average value \$19,000, \$7.5M committed; Babylon (NY): 169 projects, average value \$7,100, \$1.2M committed.
What were the outcomes and expected benefits?	
What were the key lessons learned?	Several protests have been raised in US concerning the constitutionality of PACE programmes and the special assessment as first lien mortgage. In June of 2009, the Federal Housing Finance Agency (FHFA) - the federal government agency that regulates Fannie Mae, Freddie Mac and the Federal Home Loan Banks - wrote a letter expressing concern that PACE programmes could put owners and lenders at risk of fraud, property loss and also they offered resistance toward the possibility to deliver energy-related senior lien mortgage because they represent a key alteration of traditional mortgage lending practice. The DOE and White House are working for reporting data collection to evaluate the efficacy of these programmes.
Is there anything you would do differently in future?	
What makes this a good practice example?	PACE policy is a very powerful tool to address initial financing risks and cash flow barriers to clean energy projects. Its implementation might enable energy efficiency and renewable energy large scale deployment, especially in a country where the percentage of low and middle households is substantial.
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Please indicate if this case study can be made available to the	Yes



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