


Bringing PACE Bonds to New York State

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PROPERTY ASSESSED CLEAN ENERGY (PACE) BONDS




The five defining characteristics of PACE Bonds:

- Local Government Choice
 - Property Owner Choice
 - No State or Local Budget Impact
 - No Tax Increase
 - Jobs Today
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Overview of Energy Retrofit Market

- ▶ Commercial and residential buildings are responsible for 40% of all greenhouse gas emissions annually in the U.S.
- ▶ Nationally, about 75% of commercial buildings are more than 20 years old.
- ▶ Retrofitting the nation's aging building stock would drastically reduce the carbon impact.
- ▶ Energy Retrofits on existing buildings have been slow due to high upfront capital costs and a lack of financing options.
- ▶ A McKinsey & Co. report, titled *Unlocking Energy Efficiency in the U.S. Economy*, released in July looked at energy efficiency potential in the U.S. residential, commercial and industrial sectors. It found that a 10-year investment of \$520 billion would save \$1.2 trillion by reducing the nation's projected energy consumption in 2020 by 23% and erase 1.1 gigatons in annual emissions.

What are PACE Bonds?

- ▶ Property Assessed Clean Energy (PACE) Bonds provide private property owners with access to capital and one stop shopping solution for financing energy efficiency improvements.
 - ▶ PACE enabling legislation varying in size and usefulness has been passed in 14 states. California has the most expansive and innovative program. NYS passed legislation on November 16.
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How PACE Bonds work

- ▶ PACE bonds can be issued by municipal financing districts. Bonds would be taxable but would provide lower cost execution than available from commercial lenders. Bonds could be securitized.
 - ▶ A PACE bond's proceeds are lent to participating commercial and residential property owners on a voluntary basis to finance energy retrofits (efficiency measures and small renewable energy systems).
 - ▶ Repayment of the loan is over 20 years via an annual assessment on the owner's property tax bill.
- Lien is attached to and transfers with the property.


PACE Bond Benefit to Municipalities

- ▶ PACE bonds give municipalities the tools they need to spur private sector investment in improving energy efficiency benefitting the municipality by:
 - Immediate job creation
 - Attracts new clean energy companies to our region
 - No credit or general obligation risk
 - No State or local operating expenses required
 - Obligation is liability of real estate owner
 - Greenhouse gas reductions/energy independence
 - Opt in: Only those real estate owners who opt in pay for it

PACE Bond Benefits to Property Owners

- ▶ PACE Bonds dramatically improve the economics of energy retrofits (efficiency measures and micro renewable energy)
 - 20-year repayment
 - Tax-deductibility
 - Lien assessed to property – not individual
 - Convenient lending option for consumers
 - Attractive interest rates

Result is access to capital and a higher return on investment



So Where Are PACE Bonds Now?

Nationally:

- ▶ Department of Energy loan guarantees for PACE will bring down PACE interest rates and costs for property owners:
 - Language inserted by Congressman Israel in the Climate Change Bill (ACES) that passed the House, but bill has stalled in Senate.
 - Congressman Israel introduced a stand alone bill, H.R. 3836 in October as well.
- ▶ The Department of Energy has authorized more than \$450 million in Recovery Act funding for PACE pilot projects nationwide and to develop best practices for PACE.

So Where Are PACE Bonds Now?

New York State:

- ▶ New York passed PACE enabling legislation in a special session of the NYS Legislature on Nov. 16. Senators Craig Johnson and Skelos provided key support.
- ▶ Congressman Israel is spearheading effort to develop a comprehensive PACE pilot project in New York with federal funding. Under ARRA, there is \$450 million available for PACE pilots, including between \$40–75 million for NYS.
- ▶ A NYS pilot project is being designed to offer lower interest rates and reduce upfront costs to demonstrate return on investment for property owners and position NYS on the forefront of energy retrofitting.

What can you do NOW?

- ▶ Urge Counties and Towns to participate in PACE Pilot Program through Stony Brook University Advanced Energy Research Center.
 - ▶ Support Congressman Israel's H.R. 3836 in the House of Representatives.
 - ▶ For more info on PACE Bonds, email Patrick.Foye@rivkin.com or Resi Cooper Resicooper@gmail.com.
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