



Local governments working together for a better metropolitan region

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To: Energy Advisory Committee, MWCOG
From: Lisa Medearis, Climate & Energy Intern, MWCOG
Subject: PACE Loan Programs: Case Study Updates

Concept Overview

Property-Assessed Clean Energy (PACE) loans provide financing for renewable energy or energy efficiency retrofits; residential, commercial and industrial consumers are able to repay their PACE loans through property taxes. PACE programs are just one type of revolving energy loan funds, which can be distinguished by:

1. Type of projects eligible (renewables, energy efficiency retrofits)
2. Incentives (low interest rates, tax obligation transfer, easier access to credit, longer repayment terms, auditing services)
3. Repayment methods (classic loan, via energy bills, via property taxes)

PACE loans have the particular advantage of a long repayment term (typically 15-20 years) and the ability to pass on tax obligations; for example, if a homeowner sold his or her property, the obligation to repay the PACE loan would be passed to new owner. The following chart compares the program aspects and outcomes of the Berkeley Financing Incentive for Renewable and Solar Technology (FIRST), Long Island Green Homes (LIGH), Boulder ClimateSmart Loan Program (CSLP), and the Sonoma County Energy Independence Program (SCEIP).

PACE Program Side-by-Side

Characteristics	Berkeley FIRST	LIGH (Babylon, NY)	CSLP (Boulder, CO)	SCEIP (Sonoma, CA)
Program Budget	-\$1.5 million (from city bond agreement with private funder)	-\$2 million (bonds from City Solid Waste Reserve Fund) -Projected \$30-50 million in private financing	-\$40 million (of which \$12 million allotted to 2010 commercial phase) -Funded by local carbon tax	-Up to \$100 million (of which \$55 million from water utility) -So far \$18.7 disbursed, with \$2 million pending
Repayment Mechanism	Loan (government bond) repaid through special property tax	-Monthly payment to city through garbage collection fee -Based on projected energy savings	Loan (government bond) repaid through property taxes	-Loan repaid through special assessments added to property tax
Incentives	Interest tax deductible, rebates deducted from loan principal, transferrable repayment obligation	Payments structured to be lower than energy bill savings, low interest, transferrable repayment obligation	Free “energy counseling,” referral to independent auditors for extensive audit, transferrable repayment obligation	No impact on credit rating, transferrable repayment obligation, subsidy for residential audits (eventually)



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Characteristics	Berkeley FIRST	LIGH (Babylon, NY)	CSLP (Boulder, CO)	SCEIP (Sonoma, CA)
Target Recipients	Residential homeowners	Residential homeowners	Residential homeowners, commercial in 2010 phase	Residential, commercial, and industrial
Eligible Projects	Solar PV; other projects authorized but not included in pilot	Energy efficiency, eligible for solar after EE improvements	Energy efficiency, renewables	Energy efficiency, renewables, and water conservation
Other Requirements	Installer must be California Solar Initiative (CSI) certified	Home energy audit required, performed by town-licensed, BPI accredited contractor	Must attend CRC workshop before applying, certified contractor, audit strongly recommended (\$90-\$120)	Audits required only for commercial applicants, California state-licensed contractor
Loan Ranges	\$5,000 - \$37,500	Up to \$12,000	-\$3,000 - \$15,000 (for income-qualified) -Others: Up to \$50,000 (or 20% of property value)	\$2,500 minimum - up to 10% of property value -No outstanding mortgage: up to 70% of property value
Interest Rate and Application Fee	-7.75% (with 1% to admin costs) -\$25 application fee	-3% (to administrative costs) -\$250 for initial home energy audit	-5.2% for income-qualified -6.68% for open loans -\$75 application fee, 4% closing fee	-7% (4% to admin costs) -"nominal" closing costs and program fees
Repayment Period	20 years	Up to 10 years, varies by negotiated monthly payments	15 years	5 - 20 years (varies by size of assessment)
Average Loan Size	\$25,000	\$8,200	\$7,185	\$30,000
Number of Loans Disbursed	13 provided (27 withdrew from program)	145 (of first 200 audits), goal 1,000 retrofits	612 retrofits (about 1/2 EE), \$9.8 million	584 (additional 56 loans pending)
Program Outcomes	-PV capacity: 39.213 kW, or 64466.2 kWh per year -Savings over life of systems: 1800 MWh, 996.4 tons CO2	-Average savings/household: \$1,050/year, 20-40% reduction in GHG emissions (5-10 lbs. CO2/day) -15 jobs from first \$1.5 million	From 98 homes, saved: -128,136 kWh -20,550 Therms -229 mtCO2e	-8.4% construction job growth (nearby counties lost construction jobs) -75 workers trained
Other Notes	Expanded to California FIRST (launching pilot PACE programs in 100 counties, Summer 2010)	Expanded to Long Island Green Homes & Buildings Consortium (8 municipalities, each commit 20% of DOE energy block grant)	1/3 of loans income-qualified to benefit low-income residents, new banking, DOE regs put program on hold until July 2010	Will soon require: residential customers to conduct audits, projected 10% energy savings to qualify for financing