Built Environment & Energy Advisory Committee

Property Assessed Clean Energy (PACE) Financing Workgroup

Draft Framework for Discussion

Background and Purpose:
On March 25, 2015, the Metropolitan Washington Council of Governments (COG) Climate, Energy and Environment Policy Committee (CEEPC) voted to establish a regional Workgroup to provide guidance to COG members developing Property Assessed Clean Energy (PACE) financing programs, and to encourage growth of the PACE market regionally. PACE financing is a powerful tool for enabling building energy improvements without using public dollars.

The built environment is responsible for more than one-third of the Washington DC region's greenhouse gas emissions. By leveraging public taxing authority to bring in private capital, PACE can reduce or eliminate up-front project costs, offer transferability upon sale, and enable low monthly payments by providing financing terms up to 15-20 years. Because of these advantages, PACE financing can be an important tool for achieving significant greenhouse gas energy reductions though building energy efficiency and renewable energy improvements.

Several jurisdictions in the region intend to soon implement PACE financing programs for commercial buildings, and there is strong interest in enabling PACE financing for the residential market in the future. The PACE Workgroup is being established to support local governments in the region working to design and/or expand PACE financing programs through identification of best practices and improving expertise in both the public and private sectors. Recognizing that real estate and financial markets are regional and not limited by jurisdiction lines, and that regional consistency can improve the growth and success of PACE financing in all jurisdictions, the PACE Workgroup will also serve to encourage consistency across the region.

Functions and Scope:
To achieve the objectives above, the PACE Workgroup will:

- Serve as a forum for discussion and education of regional stakeholders from local and state government, lending and investment institutions, property owners and managers, contractors and service providers, and others.
- Perform research, identify best practices and provide recommendations on program design to local governments and other stakeholders.
- Facilitate regional coordination among stakeholders and encourage consistency among and across PACE financing programs.

Through regular meetings beginning in May 2015, the PACE Workgroup is asked to address the following issues:

- Commercial PACE Program Design: best practices and lessons learned from around the country.
- Lender Consent: program design and implementation requirements to facilitate lender consent; building awareness and confidence in PACE financing among the lending community.

Commented [IR1]: Does anything need to be added, or wording changed?

Commented [IR2]: It has been suggested to COG that the group focus on education, awareness and pipeline-building to complement and validate other efforts to create program consistency / a framework for multiple municipalities.

Commented [IR3]: Should other issues be added to this list? Removed?

- Commercial PACE Project Pipeline: increasing awareness and interest in PACE as a financing option for regional property owners and contractors.
- Residential PACE Program Design: research on case studies from around the country, remaining legal concerns, options for the DC region, and policy or regulatory action required.

Commented [IR4]: Should R-PACE be addressed as a Phase 2 issue?

Activities and Work Products:

The Workgroup will organize, host or participate in regional workshops, trainings and other events to further the goals above. Examples include:

Commented [IR5]: Are there other events/trainings to propose at this time?

- Lender Consent Workshop: organized in partnership with Montgomery County, AOBA, and Urban Ingenuity and Abacus Property Solutions with Virginia Bankers Association representatives.

The Workgroup may create resources and tools to assist local governments and stakeholders working to develop C-PACE programs. Options include:

Commented [IR6]: What work products would be most helpful to local government stakeholders? To program administrators/project financers? What is within the scope and capacity of this group to create?

- A framework and/or recommendations for state and local governments in the region considering C-PACE program options
- A toolkit and/or template materials for local governments developing C-PACE programs
- A regional FAQ resource addressing such questions as:
    - Which jurisdictions in the area have PACE programs? How were they established?
    - What technologies are allowed under these PACE programs?
    - What are the alternatives to a jurisdiction issuing bonds?
    - What are the transaction costs: interest rates/origination fees/etc.?
    - What tools exist for the program administration and for the project design process?
- Educational materials for property owners, lenders, contractors, or others

Membership:

Membership of the workgroup shall consist of representatives from the following areas.

Commented [IR7]: How large should the group be?

- Government
- Real Estate Industry, Property Owners
- Finance Industry, Banks & Lending Institutions
- Non-profits, Program Administrators and Other Advisory Groups

Commented [IR8]: Should membership include private stakeholders or just gov staff? Should there be a certain # of stakeholders from each of these groups? Should we invite other stakeholders to be members of the workgroup, or just to relevant meetings as they occur?

Relationship to other COG Committees:

As the originating committee, CEEPC shall oversee the PACE Workgroup. As the technical advisory committee to CEEPC, BEEAC shall advise COG staff in the development of the PACE Workgroup, provide direction to the Workgroup's functions, products and activities, and participate in the Workgroup as desired. Workgroup products will be reviewed by BEEAC before presentation to CEEPC. The Workgroup will be supported by COG's Department of Environmental Programs Climate and Energy team.

Meetings and Duration:

The Workgroup shall exist for a one calendar year (May 2015 - May 2016), unless members or CEEPC determine otherwise. The workgroup shall meet in person or by conference call every other month, or more frequently as needed.