

PACE Financing

Energy Efficiency Finance Tool

Property Assessed Clean Energy (PACE) financing enables homeowners and commercial building owners to finance energy efficiency upgrades through private lenders. The loan is paid back through a special assessment on the property's tax bill. This offers voluntary long-term and low-cost funding for energy efficiency improvements. The loan covers 100% of the upfront costs and is attached to the property rather than the individual. If the property is sold, any outstanding payments stay with the property and must be paid by the new owner, who will also reap the benefits of the energy efficiency upgrades.ⁱ State legislation must be passed to enable local programs. However, enabling legislation does not guarantee an active program; local governments must develop and implement a program.

Currently, seven states within MEEA's 13 state footprint have active PACE programs: Minnesota, Wisconsin, Michigan, Ohio, Kentucky, Missouri and Nebraska. While Illinois does not have an active program, the state passed enabling legislation and is in the process of developing programs.

Residential & Commercial PACE

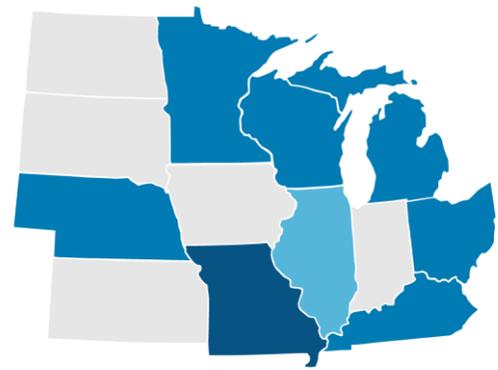
There are both commercial and residential PACE enabling laws throughout the nation. However, commercial PACE is far more prevalent.ⁱⁱ More than 30 states have PACE enabling statutes and more than 20 states plus D.C. have an active commercial PACE program. Only three states are running active residential PACE programs; these include California, Florida and Missouri.ⁱⁱⁱ Despite its limited program adoption, residential PACE has exceeded commercial PACE in the amount of dollars invested.

Since the first PACE program launched in 2008, **\$647 million in commercial projects** has been financed and **\$5.2 billion in residential projects** has been financed.^{iv} Typical residential improvements include replacing heating and cooling systems and hot water heaters, air sealing and insulation, and installing ENERGY STAR appliances, solar photovoltaic systems and water conservation measures.

Benefits of PACE Financing

PACE investment increases economic development, generates jobs, potentially increases a property's value and net operating income, and advances state and local energy goals. Local PACE programs have already brought billions of private investment dollars to communities across the United States. Since the first PACE program launched in 2008, more than **48,000 jobs have been created**. According to a 2011 study, for every \$1 million in project spending, there are 15 new jobs added to the workforce and \$2.5 million in economic output.^v

Status of PACE Programs in the Midwest



- Enabling legislation, but no active programs
- Active commercial PACE programs
- Active commercial & residential programs

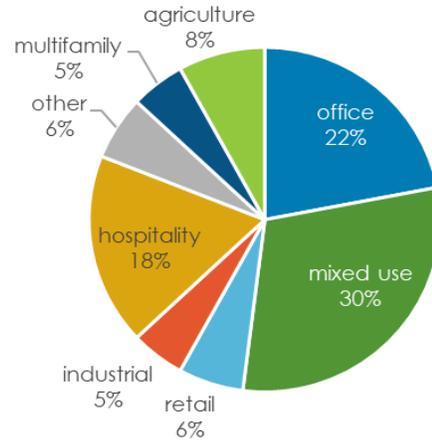
PACE Programs in the Midwest

Within the Midwest, 85% of commercial projects completed with PACE financing are strictly for energy efficiency and 3% are for mixed projects with both renewables and energy efficiency. The high proportion of EE-only projects in the Midwest is unique when compared nation-wide. Nationally, only 51% of commercial PACE projects are strictly energy efficiency. More than \$600 million has been invested nationally in commercial PACE for a total of 1,570 completed projects. Of this \$647 million, over \$126 million has been invested in the Midwest from 2012-2017.

Policy in Brief: Milwaukee, WI

Over the past several years, Milwaukee has become a regional leader in PACE financing. Wisconsin passed commercial PACE-enabling legislation ([Act 272 / SB 624](#)) in 2010, and the City of Milwaukee developed and administers the program ([ME2](#)). A total of eight projects in Milwaukee worth \$13,139,017^{vi} have been funded, resulting in more than \$1 million in annual savings. One of the eight projects financed through PACE, was the University Club, which reduced energy use by 30% and will yield an estimated \$1.34 million in savings over 18 years.^{vii}

PACE Funding by Property Type



Milwaukee PACE Projects

Number of Projects:

8

Cost of Projects Funded:

\$13, 139,107

Total Annual Savings:

\$1,088,781

Sources

ⁱ Cusick, M. 2018. "Pennsylvania becomes first Northeast state in six years to approve PACE financing." *Energy News Network*. <https://energynews.us/2018/06/07/northeast/pennsylvania-becomes-first-northeast-state-in-six-years-to-approve-pace-financing>

ⁱⁱ Ibid.

ⁱⁱⁱ PACENation. *PACE Programs Near You*. <http://pacenation.us/pace-programs/>

^{iv} PACENation. *Bipartisan Support for PACE*. <http://pacenation.us/bipartisan-support-pace/>

^v PACENation. *What is PACE?* <http://pacenation.us/what-is-pace/>

^{vi} City of Milwaukee. *PACE Financing*. <http://city.milwaukee.gov/bbc/services/PACE-Financing>

^{vii} PACENation. *Milwaukee's First PACE Project*. <http://pacenation.us/wp-content/uploads/2017/08/U-Club-Case-Study.pdf>

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