

PACE

PACE: (Property Accessed Clean Energy) is an innovative financing program that enables owners of commercial and industrial properties to obtain non-recourse, long-term loans for water conservation, energy-efficiency improvements, and renewable retrofits.



BY PAGE GROSSMAN

The following is an overview of the discussion regarding PACE by David Emmerich, a Managing Partner of Pace Equity at the April CREW Austin meeting.

Main Points:

- Energy efficient improvements can be made to a property that can offset the cost of the loan, making the project cash-flow positive from the start with no out-of-pocket cost for the owner
- Private lenders, through the PACE program, can now facilitate a super-priority lien on a property & have the lien paid back through the property tax system.
- The loan places a lien on the existing building which is paid back over an extended period of time and can be transferred from owner to owner if the building is sold.
- 20-25% of the total value of the building is available and, in some cases, loan terms are 20 -25 years which allows for low payments.
- The expense is classified as a tax which, in some cases, can be passed on to the tenant.

Many business owners want to do the right thing by updating an aging building with new, energy efficient equipment but are often daunted with the high cost and extended return on investment for things like

chillers, roofing, windows and insulation. This becomes especially true if owners plan to sell the building after a few years as they may never see those investments pay off.

This is where a private lending firm comes in and can provide capital for energy efficient projects which is paid back over an extended period of time. In Texas, these funds can only be used for existing buildings, but some other states allow funds to be used on new construction projects.

Once the new, energy efficient equipment has been installed, the money saved while using them can be used to pay back the loan. Funds can be used for electric, gas or water with water efficiency seen as being extremely useful in Texas.

One of the big advantages of using funds from PACE is that the loan is placed as a lien on the building from owner to owner as an easy, paper-work free transition. Owners can also pay off the loan early if they choose. PACE is a super priority lien, meaning it's ahead of the mortgage and it works with most major and smaller banks.

The rules and regulations for using PACE funds are consistent throughout Texas making it simple to use no matter where the building is located. Emmerich said that his Texas office already has so many projects lined up, Texas will quickly become the largest, fastest moving PACE program in the nation.

A Building Owner:



If the owner, building and project all meet PACE requirements:

