

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, eight states within MEEA's 13-state footprint have active PACE programs: Minnesota, Wisconsin, Michigan, Ohio, Kentucky, Illinois, Missouri and Nebraska.

Residential & Commercial PACE

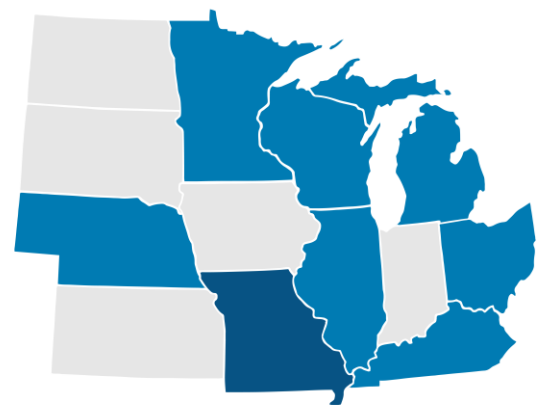
There are both commercial and residential PACE enabling laws throughout the nation. However, commercial PACE (C-PACE) is far more prevalent.ⁱⁱ 37 states have PACE enabling statutes and 22 states plus D.C. have active C-PACE programs. Only three states are running active residential PACE (R-PACE) programs: 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, **\$1.5 billion in commercial projects** and **\$6.3 billion in residential projects** has been financed.^{iv} Three Midwestern states have seen C-PACE investments rise over \$50 million: Ohio (\$241 mil.), Minnesota (\$89 mil.) and Missouri (\$56 mil.). Typical residential improvements include replacing heating and cooling systems, hot water heaters, air sealing and insulation and installing ENERGY STAR appliances, solar photovoltaic systems and water conservation measures. 70% of R-PACE projects invest in energy and water efficiency improvements, with the other 30% of projects focusing on renewable energy and resiliency projects.

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 **129,000 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

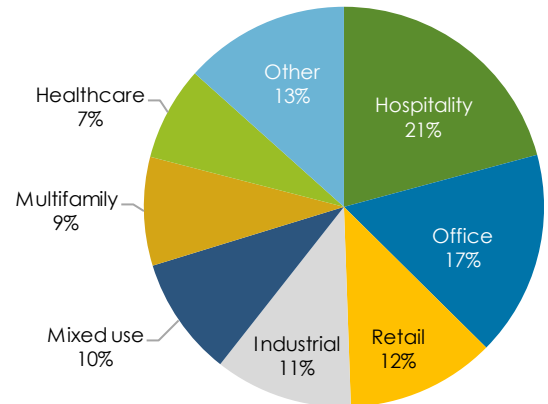


- Active commercial PACE programs
- Active commercial & residential programs

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 49% of C-PACE projects are strictly energy efficiency. Of the \$1.5 billion in C-PACE investment, over \$330 million has been invested in the Midwest from 2008-2019. In addition, PACE saves tremendous amounts of energy: PACE projects in 2017 saved one million MWh in the Midwest alone.

PACE Funding by Property Type



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}

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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