

## **PACE in Dorset**

### **What is PACE?**

PACE is a program set up by the Vermont Legislature to allow Vermont towns to make loans to town residents for energy-related improvements on their homes – to save on fuel and electricity costs. If a Town votes to create a PACE district, the Town can make these loans available to its residents. The loans are only for approved energy-efficiency and alternative energy projects on residential homes in the Town (a basic idea behind PACE loans is that the homeowner's savings on energy should be more than the cost of financing the project). Loan terms are attractive (good fixed rates and up to 20 years long), and are paid back through an added assessment to the home's property tax bill (the "loans" are actually called assessments - we call them loans just to make this explanation clearer). If a home with a PACE loan is sold, the loan can remain with the property – taken on by the new owner who will continue to get the energy savings (the loan could also be paid off, if that is the homeowner's preference).

### **Is PACE new?**

PACE programs have been operating in California, Colorado and New York for several years. Each state has its own setup for its PACE program, but they are quite similar from state to state. Vermont passed PACE program legislation in 2009. But, the Energy Bill of 2011 provided far more structure than the earlier bill, and created the opportunity for towns to really get going with PACE. Thirteen Vermont Towns already have PACE districts set up, and at least 19 more will vote on PACE districts with 2012 Town Meeting votes.

### **Why is the Town involved with PACE?**

The Town is involved because it bills and collects property taxes, and that is how the loans get paid back. The town also puts a lien on PACE loan property, the same way a mortgage creates a lien on the property.

### **Is the town going to be making loan decisions, and/or be doing the paperwork for PACE loans?**

The Town's role in PACE loans is actually pretty small. Loan applications, approvals, paperwork, calculations, funding, etc. will be handled by Efficiency Vermont, as Administrator for the Town. The Town's Selectboard can decide whether to set more stringent minimum terms for PACE loans than the State has set, and can decide whether to actually begin making loans, or whether it wishes to continue making loans. But, the Town's role will primarily be just to collect the additional property tax, and send it on to Efficiency Vermont.

### **Where does the money come from?**

Efficiency Vermont is setting up a bank loan arrangement to provide the funding for all Towns that use Efficiency Vermont as Administrator. The Town becomes a party to that agreement, but is only liable for passing through property tax assessments received from the PACE participants in the Town.

### **Does this cost the Town's taxpayers anything, and could the Town lose money if loans are not paid?**

All costs of the program are built into the loan pricing, so having a PACE program will not cost the Town (or taxpayers who don't take out PACE loans) anything. The Town is also not responsible for any loan repayments. The Town just bills the additional property tax amount along with the regular property tax bill, and does its usual process of collecting the taxes. The banks lending the money will take the risk of non-payment – although there are reserve funds set up in the program to make this attractive enough for the banks to provide good fixed-rate lending rates.

### **Why should Dorset set up a PACE district and program?**

Where PACE has been implemented, it has helped reduce a key barrier to homeowners making very sensible and economically attractive investments in energy efficiency and renewable energy improvements for their homes. That barrier is a lack of sufficient upfront capital, or the difficulty in accessing financing for these projects. PACE loans also have a very significant advantage over other possible sources of borrowing – in that the loans are long term, and they are designed to stick with the property, even in case of changes in ownership.

## **Key Provisions of PACE**

- Participating property owners pay for the benefit over up to 20 years through a special assessment charged as an additional line item on their property tax bills;
- A PACE Town can set its own PACE loan standards. But, minimum requirements are: (a) maximum financing amount of 15% of the assessed value of the property, capped at \$30,000; (b) total amount financed by PACE plus any outstanding mortgages on the property cannot exceed 90% of the assessed value.
- Participants will contribute to a loan loss reserve fund through the application fee and loan pricing; and
- Non-participating property owners have no obligation to pay for any of the costs of a PACE district.

## **Benefits for Vermont Property Owners**

- Overcomes a key financial hurdle for making investments in energy efficiency and renewable energy;
- Attractive financing designed to match the use of the loans / assessments;
- Likely to have an imputed interest rate of about 1-2% higher than 30-year fixed-rate mortgages;
- Loan / assessment can transfer to a new owner if the property is sold (or can be paid back at that time)
- Electricity and fuel bills are lower than they would be without the improvements, and the property owner is helping to reduce greenhouse gas emissions.

## **Benefits to Vermont Cities and Towns**

- Cities and towns can use PACE to become more self-reliant and energy efficient and contribute to meeting community sustainability, climate, and energy goals;
- Cities and towns can provide a valuable public service to the members of their community.

## **Benefits to Vermont's Economy**

The implementation of PACE:

- Could inject millions of dollars into Vermont's economy to make lasting energy and building infrastructure improvements;
- Would provide more business for Vermont's installers, suppliers and retailers of these energy products

## **What types of energy projects can be financed by a PACE assessment?**

- Eligible energy efficiency improvement projects are limited to: (1) measures or combinations of measures that are permanently attached to the property for which PACE financing is being secured; (2) measures that reduce the net energy requirements for the affected building; and (3) energy-related repair, health and safety measures that may be required to be included in a comprehensive energy efficiency improvement project to secure the energy savings of the project
- Energy Efficiency Projects that should be eligible: Blower-door guided air sealing; Insulate walls, attic, basement; Energy efficient light fixtures (hard-wired); Seal and insulate ducts; Insulate pipes; Upgrade heating system to higher efficiency (boiler, furnace, heat pump, distribution, controls); Replace/switch water heater; Ceiling fans; Replace/renovate windows or doors; Heat pumps; Heat-recovery ventilation system; Efficient exhaust-only ventilation system; Hot water heat recovery system; Services of energy expert/professional
- Renewable Energy Projects that should be eligible: Solar water heating systems; Biomass energy heating systems; Small wind systems; Micro-hydro systems; Solar water or space heating system; Solar electric (photovoltaic) system; Small wind or micro-hydro system