



Property Assessed Clean Energy (PACE) Overview

What is Property Assessed Clean Energy (PACE)?

PACE is an innovative program that enables property owners to obtain low-cost, long-term loans for energy efficiency, renewable energy, and water conservation improvements. Projects financed using PACE can generate positive cash flow upon completion with no up-front, out-of-pocket cost to property owners—eliminating the financial barriers that typically prevent investment in revitalizing aging properties. The term of a PACE Financing may extend up to the useful life of the improvement, which may be as high as 20 years or more, and can result in cost savings that exceed the amount of the PACE Financing. The result is improved business profitability, an increase in property value, and enhanced sustainability.

PACE Financing is sourced from an open lending market and secured through a voluntary PACE Special Charge, repaid directly to the lender. Like property taxes, PACE Financings may be transferred to the next property owner if the property is sold. The remaining balance of the PACE Financing is repaid by the subsequent owner, who continues to receive the benefits of the improvements from the project. Eligible commercial properties include multifamily buildings of five units or more, as well as industrial, non-profit, agriculture, and hospitality properties.

What types of property are eligible for PACE financing?

The PACE Wisconsin program is currently available to commercial properties (office, retail, warehouse, hospitality, agricultural and industrial) located within a participating community. Door County is a participating community. This includes for-profit businesses and non-governmental, tax-exempt properties such as privately-operated community centers and hospitals. The property may also be a multifamily building with five or more dwelling units.

Door County Economic Development Corporation

185 East Walnut Street ▶ Sturgeon Bay, Wisconsin 54235

info@doorcountybusiness.com ▶ 920.743.3113

Types of Projects Eligible for PACE Financing:



PACE Wisconsin supports the redevelopment of existing Eligible Properties with energy and water conservation and renewable resource measures (also referred to as “PACE Projects”). New construction PACE Projects are also eligible, but require additional verification and documentation as set forth in the Program Manual.

- ▶ PACE Project improvements **must reduce energy usage, water usage, or generate renewable power for the property.**
- ▶ Improvements associated with the PACE Project must have a **useful life of at least five years.**
- ▶ Improvements must be permanently affixed to the real property.
- ▶ The **PACE Financing amount plus the outstanding principal amount of all mortgage liens secured by the property shall not exceed 95% of the property value**, unless otherwise approved by PACE Wisconsin. PACE Lenders may have additional limits based on their underwriting criteria.
- ▶ PACE Projects with PACE Financing amounts both above and below \$250,000 are subject to specific requirements; multifamily building with five or more dwelling units.

Door County Economic Development Corporation

185 East Walnut Street ▶ Sturgeon Bay, Wisconsin 54235

info@doorcountybusiness.com ▶ 920.743.3113

Can PACE Projects qualify for Focus on Energy Rebates, Tax Incentives and other Funding Programs?

Yes, PACE Projects can qualify and receive additional rebates and incentives from energy providers. PACE borrowers are encouraged to obtain all applicable government, utility provider or manufacturer rebates, and other upfront cost reductions to reduce the total PACE Project cost for purposes of calculating the amount of the PACE Financing.

Requirements for PACE Financing Less than \$250,000

The Applicant must submit an Energy Assessment or Renewable Energy Feasibility Study for the PACE Project that evaluates the proposed improvements the owner is seeking to finance and is consistent with the requirement set forth in the Program Manual. While not explicitly required by the PACE Statute, PACE Financings less than \$250,000 are recommended to achieve a Savings-to-Investment ratio greater than 1.0. PACE Lender underwriting requirements may require PACE Projects achieve a SIR that is greater than 1.0.

Requirements for PACE Financing Greater than \$250,000

- ▶ The Applicant must submit an Energy Assessment that describes the energy, water and operational benefits that will accrue from the proposed improvements being financed with the proceeds of the PACE Financing. The Energy Assessment must be consistent with the requirement set forth in the Program Manual.
- ▶ Combined, these benefits must achieve a Savings-To-Investment Ratio of one or greater.
- ▶ Finally, these projected energy, water, and operational benefits shall be guaranteed by the project engineer or the contractor pursuant to a Savings Guarantee that is consistent with the requirements set forth in the Program Manual.
- ▶ To verify that the PACE Project is installed and performs according to the projections modeled in the Energy Assessment and/or Renewable Energy Feasibility Study the written Savings Guarantee must include an Engineering Commissioning and Verification process. Additional details can be found in the Program Manual.

How does Energy-Savings Guarantee Work?

Required for projects over \$250,000, a written guarantee from the contractor, project engineer, or a third party must cover a minimum of three years. It must provide that the party shall pay the property owner any shortfall between the guaranteed cash flow and the actual cash flow savings derived from the PACE Project. Additional details can be found in the Project Manual.

Door County Economic Development Corporation

185 East Walnut Street ▶ Sturgeon Bay, Wisconsin 54235

info@doorcountybusiness.com ▶ 920.743.3113

When is Mortgage Lender Consent Required?

All Applicants must provide the written consent of the existing mortgage lender or other real property lienholder of record on the Eligible Property prior to Final Application. The process Lender Consent template that Applicants need to complete is available [here](#).

How is Property Value Determined?

Property value will be determined by either the assessed value from the appropriate assessor's office or alternatively Eligible Property Owners may supply an appraisal completed within 12 months of the PACE Financing closing date and prepared by an independent real estate appraisal firm. Eligible Property Owners of property-tax exempt properties must provide an appraisal, as described above.

What is the Maximum Loan Term For PACE Financing?

The PACE Financing term should not exceed the expected life of the proposed improvements as described in the Energy Assessment. For projects that include multiple Energy Conservation Measures, the term of a PACE Financing may not be greater than the Energy Conservation Measure with the longest expected useful life, as described in the Program Manual.

What project costs can be included in PACE Financing?

The PACE Project budget may include all costs required to complete the PACE Project:

- ▶ Installation/construction contract amount
- ▶ Engineer's energy analysis
- ▶ Other required design and engineering
- ▶ Project development fees
- ▶ Engineer or contractor's guarantee fees
- ▶ PACE Wisconsin Program Fees
- ▶ Permit fees
- ▶ Surveys
- ▶ Legal fees
- ▶ Financing fees
- ▶ Capitalized interest

What are the Eligible Property Owner Requirements?

To be eligible to participate in the program, a property owner must, at a minimum:

- ▶ Be the person or persons possessing the most recent fee title or land contract vendee's interest of an Eligible Property as shown by the records of the Register of Deeds.
- ▶ Obtain the written affirmative acknowledgment of existing mortgage lenders of participation in PACE Wisconsin Program.
- ▶ Certify they (and its corporate parent if the property owner is a single-purpose entity) are solvent and that no proceedings are pending or threatened in which the property owner (or the corporate parent, as applicable) may be adjudicated as bankrupt.
- ▶ Be current in the payment of all obligations secured by the subject property, including property taxes, special assessments, special taxes or any other tax liens.
- ▶ Have no involuntary liens, defaults or judgments applicable to the subject property.
- ▶ Properties that are currently appealing a property tax assessment will be reviewed, and eligibility for the PACE Wisconsin Program will be determined on a case-by-case basis.
- ▶ See complete Eligible Property Owner requirements in the Program Manual

What fee does PACE charge?

- ▶ The Program Fee is one-time administrative processing fee that equals one-and-a-quarter percent (1.25%) of the first \$1.75 million of the PACE Financing amount plus one percent (1.0%) of any amount remaining above \$1.75 million, and is due at or prior to the PACE Financing closing date.
- ▶ The Program Fee shall be no less than a minimum of \$2,000, nor greater than a maximum of \$85,000.
- ▶ Annual Fee
- ▶ The Annual Fee is collected annually with the PACE Special Charge installment payment over the term of the PACE Financing.
- ▶ The Annual Fee equals one tenth of a percent (0.1% / 10 basis points) of the PACE Financing amount and shall be no less than a minimum of \$250 per year (or installment payment), nor greater than a maximum of \$1,250 per year.

What are the Eligible Property Owner Requirements?

Yes. New construction projects, unlike existing-building retrofits, do not have a history of pre-improvement energy consumption data from which baseline energy consumption can be formulated. Without the benefit of this baseline building performance data, additional Energy Assessment requirements are necessary as set forth in the Program Manual.

Can PACE Finance Projects that have already been completed?

Completed installations of eligible Clean Energy Measures are eligible for retroactive PACE Financing. All such retroactive PACE Financings must occur within thirty months of the time elapsed between the completion of the installation and close of the PACE Financing. Retroactive PACE Financings are subject to additional eligibility requirements as defined in the Program Manual.