

## **PACE (Property Assessed Clean Energy) Program**

### **Key PACE Components**

- Innovative financing mechanism for energy improvements through the creation of a special municipal assessment district.
- **Costs the town and the residents NOTHING except for those who use the program.**
- PACE focuses on residential energy efficiency and renewable energy improvements.
- Energy improvements repaid over a period of time for up to 20 years.
- All work must be performed by qualified and licensed contractors and must be approved by an energy efficiency utility.

### **Benefits of PACE Program**

- Provides an alternative form of financing for energy efficiency and renewable energy – especially for people with limited ability to borrow money.
- Allows people to make energy investments in their homes over a longer period of time (10-20 years) than a typical bank loan. This is beneficial since it is easier to match annual energy savings to annual financing costs.
- Investments in energy efficiency and renewable energy support the creation of local jobs – such as weatherization contractors and solar installers. The more financing opportunities available – the more energy work for local, qualified contractors.

### **Basic Program Mechanics**

1. A property owner identifies specific energy improvement(s) to make, ideally through a home energy assessment, and applies for the program. Most residential homeowners in a participating community can participate in the program.
2. If approved, the property owner enters into an assessment contract with Cavendish, which will pay the contractor upon completion of the work and place an assessment lien on the property.
3. The property owner then repays the town for the improvements as an assessment on the property tax bill over a 10, 15, or 20 year period. Participants are billed on the same schedule as the town's tax bill and collected in the same manner. If the property owner sells the property before the assessment has been completely paid off, the obligation to pay the assessment stays with the property and is repaid by the new owner, or can be paid off in full with no penalty.

### **Program Administration**

- Cavendish can elect to administer the PACE program, or it can contract with Efficiency Vermont (the state's efficiency utility) to perform most of the administrative functions associated with PACE. The costs for providing these services are incorporated into the assessments charged to program participants.

### **Amount of Financing Available Per Home**

- The maximum amount that can be financed is 15% of the assessed value of the property, capped at \$30,000. The total amount financed by PACE plus any outstanding mortgages on the property cannot exceed 90% of the assessed value.

### **Eligible Energy Projects**

- PACE can finance renewable energy or energy efficiency improvements as well as repair or health and safety measures that may be required to secure the energy savings of the project. Improvements must be permanently attached to the property and the “net energy” requirements for the affected building must be actually reduced. Eligible efficiency projects include improvements to the building shell (e.g. insulation and air sealing), heating system improvements, among other improvements. Efficiency Vermont maintains a list of eligible energy efficiency measures.
- Eligible renewable energy projects include solar hot water systems, biomass energy heating systems (e.g. wood pellets/chips and cord wood), small wind systems, micro-hydro, solar electric system (photovoltaic), and solar space heating systems.

### **Program Costs and Payments**

- Residents participating in the program pay 100% of the costs associated with their assessments.
- You don't play - you don't pay. Non-participating residents do not pay for any costs incurred by participating residents. Vermont's law specifies that PACE participants are obligated to cover the costs of operating the district, although the municipality may use other available funds to operate the district.
- Annual program payments by participants will cover repaying borrowed capital, interest costs, and administrative expenses.
- Vermont's PACE programs will likely have an interest rate of about 1-2% higher than 30-year fixed-rate mortgages. Exact costs will be determined after funds have been secured.

### **Town Meeting Vote**

- Voters at town meeting should be clear that the vote is about supporting actual establishment of a PACE district. Voters are not approving the expenditure of any funds or approving their own participation in the program. An affirmative vote creates the district and thus the opportunity for residents who decide to do so -- to take advantage of the PACE financing mechanism.