

Ann Arbor's Property Assessed Clean Energy (PACE) Program

Background

Public Act 270 of 2010 (the "Act") authorizes local units of government to adopt Property Assessed Clean Energy (PACE) Programs to promote energy efficiency and use of renewable energy by owners of Commercial or Industrial properties within a district designated by the local government. The bill authorizes local governments to issue bonds, notes and other indebtedness and to assess properties for the cost of energy efficiency improvements and renewable energy systems. The Act provides for repayment to local governments through a voluntary property assessment. The property assessment may remain with the property and has the same priority as other property tax and assessment liens in the event of foreclosure.

PACE financing has several benefits to the property owners over traditional loan products offered by financial institutions. Limitations of traditional financing programs include short repayment periods, high or variable interest rates, stringent credit requirements that do not account for savings from improved energy efficiency, lack of equity and limited availability.

The City of Ann Arbor partnered with the Ecology Center using a grant from the Ann Arbor Area Community Foundation to develop draft state enabling legislation. The City has acted to support State enabling PACE legislation, authorized grant funds to be used for program development and established a loan loss reserve fund to leverage private funding for PACE projects.

The steps to establish a PACE program are:

- Resolution of Intent – introduces the Report on Proposed Property Assessed Clean Energy Program (September 19th, R 11-1043)
- Public Hearing on the Report and Program (October 3rd)
- Resolution to Establish (October 3rd, R 11-1044)

The report to be introduced fully describes the City of Ann Arbor's Property Assessed Clean Energy program as required by Public Act 270 of 2010, the enabling legislation. The Report is comprised of 4 sections:

1. Cross Reference Table - Allows the user to lookup in the Report each particular requirement from Public Act 270 of 2010.
2. Chapter 1 - Provides background information, a description of how PACE works and a summary of the act
3. Chapter 2 - Contains detailed information on how the program will be operated and funded
4. Appendices - Provides additional information and instructions addressing specific requirements

PACE Process

Application Process

The application process consists of five basic steps: pre-application, application, review, installation and tracking. Pre-application and application are discussed in detail in Appendix J: Application Package. Pre-application is designed to assist the property owner in determining whether or not

the property is a good candidate for a voluntary PACE assessment and the likely size of the energy project.

Step 1: Pre-application

- Pre-application
- Contact the Ann Arbor Program Administrator
- Energy analysis
- Results - preliminary scoping meeting
- Obtain written quotes

Step 2: Application

- Decide on final project scope
- Complete application forms
- Submit completed package to A2 Program Administrator

Step 3: Review

- Completeness check
- Title search
- Technical review
- Approval

Steps 4, 5, 6: Installation

- Obtain building permit (s)
- Sign *Energy Assessment Agreement*
- Installation
- Final inspection
- Funds disbursement
- Recording

Steps 9, 10: Tracking

- Re-payment of special assessment
- Annual certification
- Energy usage data submittal

The remaining steps are explained in Chapter 2, section titled, “Application and Special Assessment Process.”

Eligible Properties

The property eligibility requirements are as follows:

- Property meets the definition of commercial or industrial property
- Property is developed and within the current City of Ann Arbor jurisdictional boundaries
- Property title is vested in the applicant(s) without federal or state income tax liens, judgment liens or similar involuntary liens on the property
- Property owner is current on property taxes
- Property owner is current on mortgages
- Property owner is not in bankruptcy and the property is not an asset in a bankruptcy proceeding

- Improvements should not exceed 20 percent of the State Equalized Value before energy improvements
- Lien to value of property cannot exceed 99% of 2 times the State Equalized Value

Eligible Projects

Energy Projects that may be eligible for PACE assessments include:

- Project cost range of \$10,000 - \$350,000
- Energy analysis
- Insulation, weather sealing
- Efficient lighting and lighting controls
- Heating, venting, and air conditioning (HVAC)
- High-efficiency shower/faucet upgrades
- Energy Star appliances
- Replacement of doors and windows
- Solar electricity/photovoltaic – systems or unit on existing rooftops and parking shade structures; or a 60 kW system or smaller unit installed on the ground within the boundaries of an existing facility
- Wind turbine – 20kW or smaller
- Solar thermal (passive)
- Solar thermal hot water
- Ground source heat pump 5.5 ton or smaller, horizontal/vertical, ground, closed loop system
- Combined heat and power system – boilers sized appropriately for the buildings in which they are located
- Biomass Thermal – 3 MMBTUs per hour or smaller system with appropriate Best Available Control Technologies (BACT) installed and operated

PA 270 of 2010 requires an energy analysis be performed prior to application submittal. The Ann Arbor Program meets the Act requirements but also provides the following clarifications:

- 1) The PACE Program Administrator determines the property is eligible for a limited energy analysis during the pre-application step.
- 2) An energy analysis meeting one of the following standards has been performed on the property:
 - *Energy analysis performed under Ann Arbor's Downtown Development Authority's energy efficiency program*
 - *Energy analysis conducted using AHSRAE Level II or III protocols that is less than 3 years old*
- 3) All other proposed energy projects must be supported by an energy analysis meeting the requirements of Appendix I.

Disbursements

Ann Arbor's draft program will only disburse funds after completion of the energy project. Thus property owners may need to locate a contractor who can carry the project, locate bridge financing or secure some other short term financing.

Special Assessment Liens

The lien placed upon the improved property runs with the property and has the same priority and status as other property tax and assessment liens. The lien will be removed when the special assessment, including interest and annual administration fees, is paid in full.