COMMERCIAL CLEAN ENERGY FINANCING ALLIANCE TO STANDARDIZE PACE FINANCING FOR ENERGY UPGRADES
Effort creates California’s largest joint energy financing market

Los Angeles—In an effort to make Property Assessed Clean Energy (PACE) financing more widely available and accessible, a multi-jurisdictional Commercial Clean Energy Financing Alliance (Alliance) has been launched, bringing together leaders and experts at the forefront of PACE financing programs to share knowledge, skills and tools with interested communities in California. A partnership of the C40-Clinton Climate Initiative, San Francisco, Los Angeles County, the California Statewide Communities Development Authority, and the Florida Green Finance Authority, the Alliance marks a major step forward in the green building movement.

The Alliance aims to establish best practices and standardize the growing market for commercial PACE financing. Facilitated by C40, the Alliance will support “open market” PACE programs, which are designed to provide clean energy project financing to commercial building owners on a flexible and cost-effective basis.

“PACE by its very nature is a local government initiative that leads to significant energy savings and the creation of construction and engineering jobs,” said Scott Henderson, Director of Finance, C40-Clinton Climate Initiative. “We believe the Alliance’s PACE program – and its standardized use of model practices – will be more attractive to building owners, capital providers and contractors as they work across jurisdictions.”

Alliance members have existing programs that represent approximately two-thirds of the population of California. They will support other communities interested in PACE by sharing best practices to reduce program start-up costs; advising on legislative strategies; and defining standardized approaches to investors and mortgage lenders.

The City and County of Los Angeles have been at the forefront of the PACE Alliance implementation, having initiated a commercial program last year. The Los Angeles County PACE program, which is administered exclusively by the County, has had broad support including program adoption by 79—or 90 percent—of the 88 cities within its jurisdiction. The County is currently launching outreach efforts to commercial property owners.
“As our own efforts continue to ramp up, we’re eager to join other jurisdictions and expand our comprehensive and streamlined approach to PACE adoption,” said Howard Choy, General Manager of the Los Angeles County Office of Sustainability. “Utilizing the Alliance’s expertise will help the PACE program better serve commercial property owners throughout our County.”

PACE encourages and rewards commercial property owners for owning and managing more sustainable buildings. PACE programs help owners pay for the upfront costs of energy upgrades, such as solar PV panels and energy and water efficiency measures, which the property owner then repays over time through a voluntary tax assessment. Tax assessments attach to the property, not the owner, and can extend project paybacks for up to 20 years. The favorable terms and longer payback periods of PACE financing allow property owners to undertake deeper investments that yield greater energy cost savings.

“San Francisco has been a driving force for PACE adoption, allowing our local commercial building owners an opportunity to pay long-term for upfront energy efficiency savings,” said San Francisco Mayor Ed Lee. “By working together with other major California PACE leaders, we hope to set standards and guidelines that will make it easier and more cost-effective for commercial property owners everywhere to make energy improvements and create more sustainable cities for the 21st century.”

Open market PACE programs give owners of commercial buildings the flexibility to choose a contractor and install a custom-tailored clean energy project on an accelerated schedule. Owners then choose any qualified third party investor to fund that project, with the investor’s repayment secured through a special tax assessment levied on the building and repaid by the owner through the property tax bill. This flexible approach makes PACE attractive to commercial building owners, particularly those undertaking large, complex projects with long development cycles.

Programs under the Alliance further require that existing lien holders (such as a mortgage lender) agree to PACE assessments before any projects can be funded.

“The Open Market PACE Compact’s approach has potential for positive change as a way to promote energy efficiency retrofits of commercial properties,” said Wayne Seaton, managing director Wells Fargo’s Sustainable Public Infrastructure group. “Wells Fargo’s environmental commitment is cultivated in part from an appreciation of the ways in which we can help our clients and our communities achieve environmental goals.”

By working collaboratively—and in partnership with private sector contractors, financial providers, and others—the programs have the potential to create the largest joint energy financing market for private buildings in the U.S.

For more information visit www.energyupgradeca.org/lapace (Los Angeles), www.greenfinancesf.org (San Francisco) or www.californiafirst.org.

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