

PACE for Contractors

“Close more jobs with PACE”

April 15, 2018

Property Assessed Clean Energy, better known as PACE, is a financing innovation that is revolutionizing the way property owners upgrade their homes and businesses in the USA, with over 5 billion dollars invested in PACE financed upgrades since 2008.

(<http://pacenation.us/pace market data/>) The team behind PACE Alberta Co-op has been advocating for the creation of a made in Alberta PACE program since March 2016, and while it is not yet available in Alberta, significant progress has been made and it is expected that a PACE program will available sometime in 2018.



Until PACE program details are finalized, the following description of PACE is based on best practice characteristics which PACE Alberta is advocating be adopted.

PACE Explained

PACE makes it possible for owners of commercial, industrial, multifamily, and nonprofit properties to obtain low-cost, long-term financing for energy efficiency, water conservation, renewable energy projects, and more.

In a nutshell, PACE financing programs allow building owners to fund 100% of the upfront cost of energy and resource improvements to their businesses and repay the financing over time through their taxes. Commercial PACE upgrades create savings which are often greater than the servicing costs thus generating an immediate positive cashflow benefit upon completion. While the majority of PACE financing has historically been used to retrofit buildings, PACE financing is now being used in the USA to upgrade the performance of new construction developments and it is anticipated that PACE financing in Alberta will be available for new builds as well, including developer/builders of single family homes. While the remainder of this article references commercial buildings, it should be understood that the same PACE financing program should be available for all owners of commercial, industrial, agricultural, multifamily, and nonprofit properties to obtain low-cost, long-term financing for energy efficiency, water conservation, renewable energy projects, and more.



PACE financing’s popularity has a few key characteristics, but the most fundamental one is the fact that the financing is secured by a tax lien on the property and is repaid over the expected life of the upgrade/system through the property tax, thus permitting long term and secure financing (up to 30 years based on expected life of the upgrades/systems) which stays with the building in spite of sales or even foreclosures.

Benefits for PACE Certified Contractors

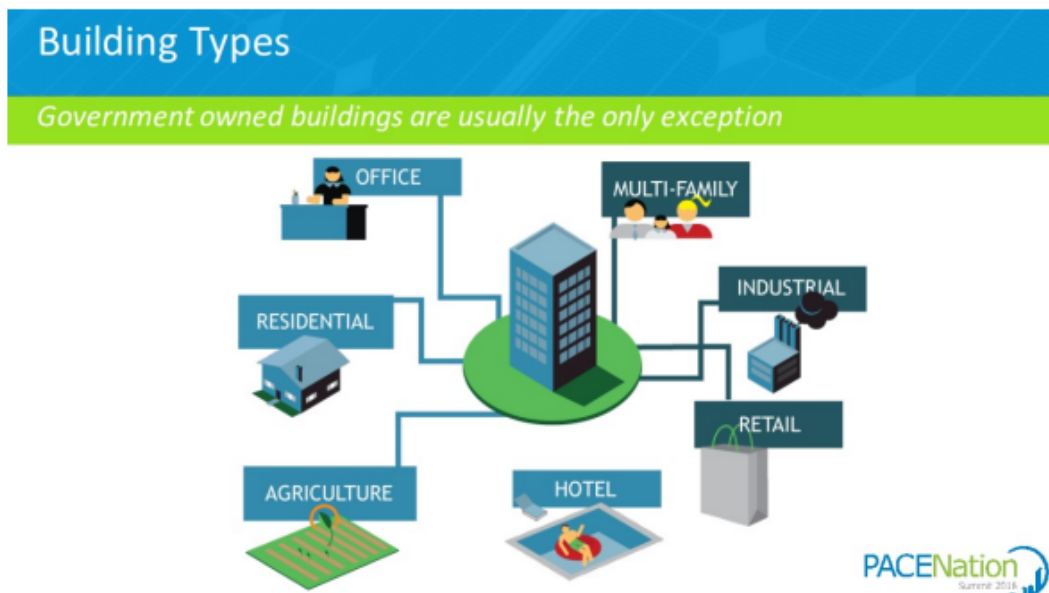
As a contractor, your business can become certified under a PACE program to offer PACE financing to your customers. To get started, (once a PACE Administrator is established for Alberta) you will need to contact the PACE Administrator and confirm how to become a PACE certified contractor.

PACE programs provide certified contractors with resources to help market PACE improvements to their customers. These resources can include marketing materials, online project estimation and analytical tools, and dedicated customer service. An example of the Residential PACE contractor support program is seen in the HERO Program in California which staffs a full call center to answer customers' questions and resolve complaints. PACE is not just a source of funding — it's a tool that can help you grow your business and streamline the financing process for you and your customers.



Eligibility

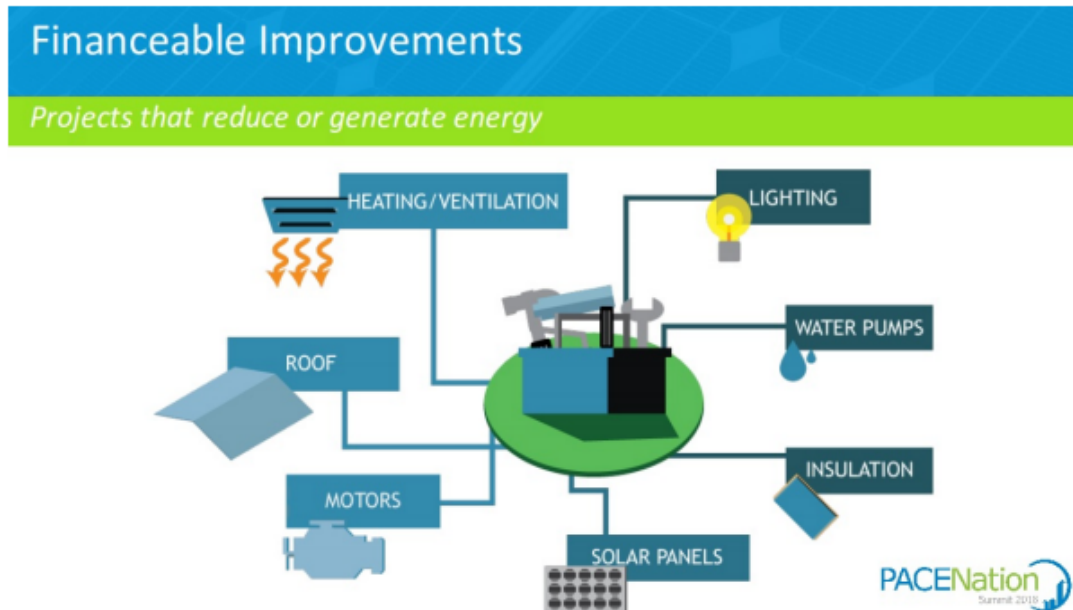
PACE financing is available for almost every form of business or operation; so long as the applicant owns the property and pays property taxes.



Eligible PACE Upgrades

The public facilitation of PACE financing is founded on the principle that the result will be a “public good”. As such, PACE is not only being used in the USA to upgrade the performance of buildings and operations

(both existing and new) but in addition, has been used to finance safety upgrades such as earthquake performance, tornado proofing, and asbestos remediation.

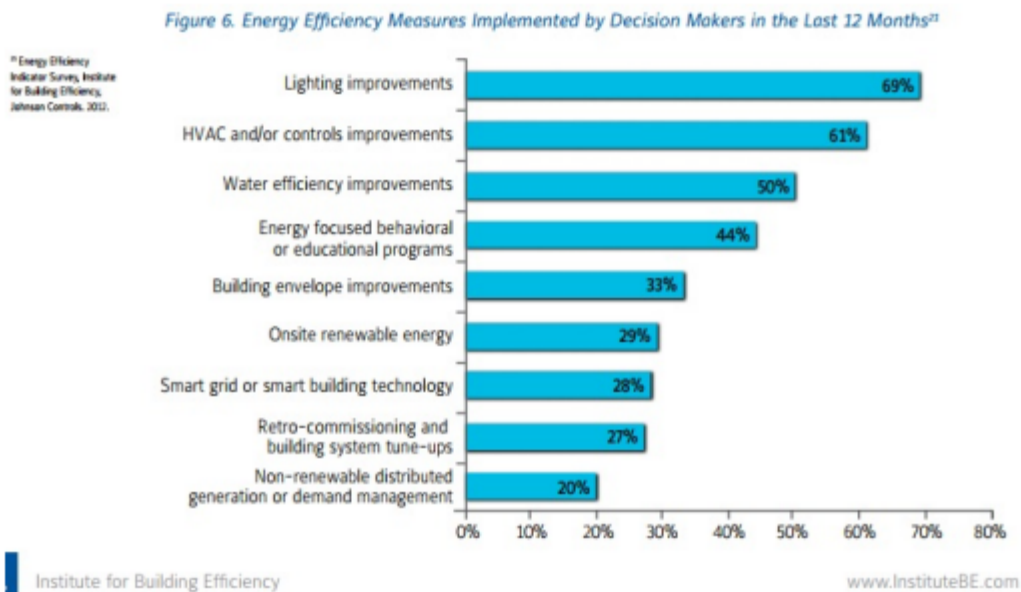


Advantages of PACE Financing

Here is a summary of ways in which PACE financing should help building owners overcome financing barriers to energy efficiency, according to program administrators and market leaders.

1. **Zero up front investment:** PACE provides up to 100 percent financing for building efficiency projects, providing external capital and freeing up internal budget resources. This feature addresses the number one barrier to pursuing energy efficiency as identified in the EEI survey – lack of internal funding.
2. **Long term financing:** Funding of energy efficiency projects over their useful lives (up to 30 years*) makes many more projects cost-effective. By providing 100 percent financing with a long amortization period, PACE should help overcome the number two barrier to pursuing energy efficiency – insufficient payback/ROI. [*NOTE: PACE financing is now being often being extended up to 30 years and matched to the expected life of the upgrade, which will suite envelope and HVAC systems upgrades and solar PV and geo-exchange heat pump systems]
3. **A PACE assessment stays with the property upon sale:** PACE financing enables building/homeowners to make deep energy efficiency improvements with financing that does not need to be paid off upon sale, but instead transfers to the new owner. As such, many retrofits which would never be considered become not only feasible but also attractive.
4. **Higher rents and greater long-term property value:** Research is emerging that validates the assumption of market advocates that efficient (green) buildings, be they residential homes or commercial type developments, can command higher rents and increased property values. PACE can enable more building owners to capture these potential financial benefits. Building owners note that since PACE adds a line item to the property taxes, it can help facilitate the discussion of the value of solar and energy

efficiency projects when a property is sold or rented. Also, building owners noted that being the first in their community to do a PACE-financed project can enhance the public image of and add value to the improved building.



While the PACE program for Alberta remains to be established, the following link to the HERO, the largest provider of Residential PACE financing in America provides some insights as to how and why a successfully structured PACE program in Alberta will be an economic benefit to contractors.

- <https://www.renovateamerica.com/financing/hero>
- <https://www.renovateamerica.com/financing/hero/what-is-pace-financing>

Conclusion: PACE for Commercial is win-win

While it remains to be determined what the Province determines will qualify as PACE building upgrades, over what time frame, and how the program will be delivered, the foregoing information provides an overview of how a PACE program in Alberta will benefit commercial building owners.



It is no wonder that PACE was named “top 20 world changing ideas” in 2009 by Scientific American; **it is a win-win scenario all around: creating jobs, enhancing property values and ROI, and doing so with not one tax dollar required.**