



Program Information

May 2021



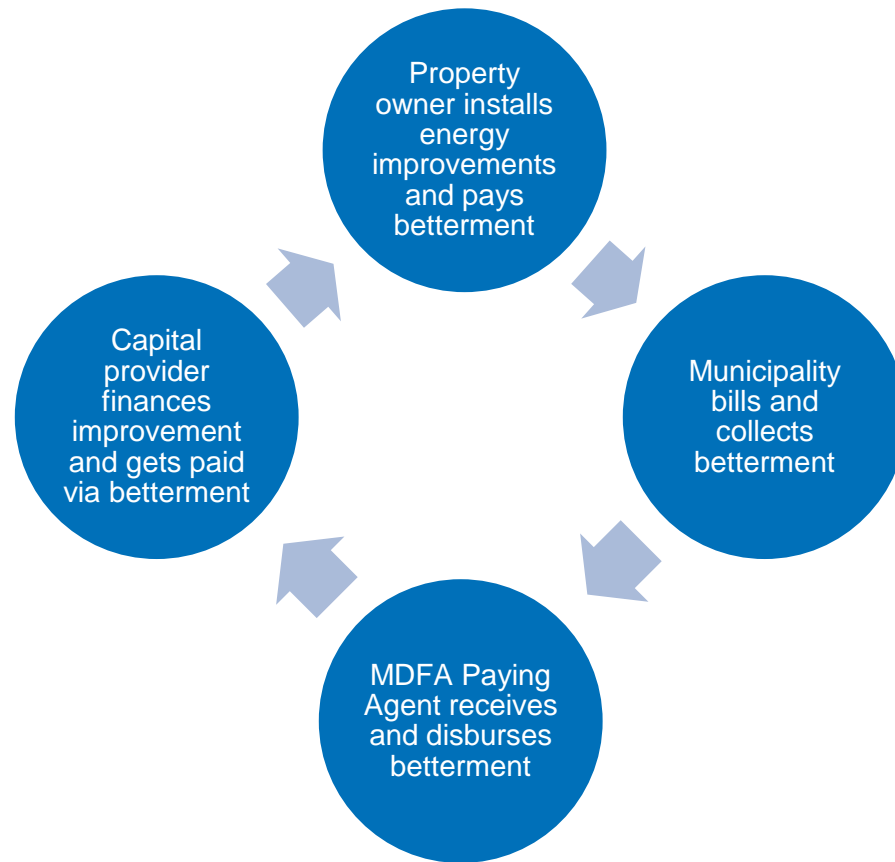
MassDevelopment

- Works with businesses, nonprofits, financial institutions, and communities to stimulate economic growth throughout Massachusetts
- Promotes capital investment and economic development by providing financing and development solutions
- In FY20, MassDevelopment financed or managed 341 projects generating investment of more than \$2.6 billion in the Massachusetts economy
- These projects are projected to create or support more than 10,871 jobs and build or preserve more than 1,787 housing units

Property Assessed Clean Energy (PACE)

- PACE allows commercial property owners to finance energy improvements via special betterment assessments on their property tax bills
- Private Capital Providers extend financing, and are repaid via betterment assessments collected by the municipality
- Benefits:
 - Municipalities: Job creation, attract new and retain existing business, and environmental benefits associated with reducing energy consumption
 - Property owners: No new debt on balance sheet, no pay-off upon sale of property (assessments run to new owner), long term financing (20 year max), no new mortgage lien
 - Lenders/Mortgage holders: Improved cash flow and reduced credit risk from lower operating costs via financing that cannot be accelerated. Capital improvements could also increase collateral property value

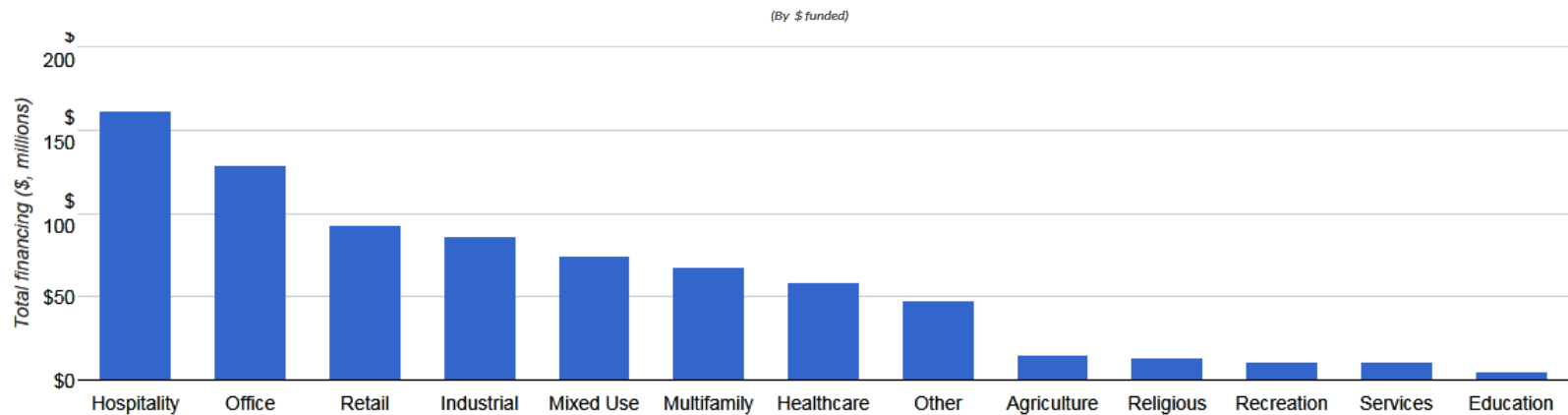
PACE Flow of Funds



National Commercial PACE Market

- 23 States (plus DC) have active commercial PACE programs
- 37 states (plus DC) have PACE enabling legislation
- \$2.07 billion financed for 2,560 projects (as of 1/2021)

C-PACE dollars funded by building type

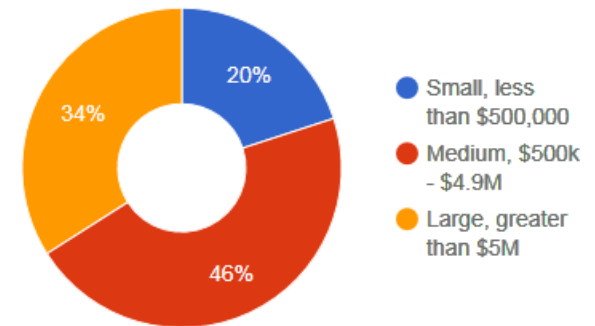


New England Commercial PACE Programs

- Connecticut passed PACE enabling legislation in 2011; C-PACE is administered by the Connecticut Green Bank
- Rhode Island passed PACE enabling legislation in 2016; RI C-PACE is sponsored by the RI Infrastructure Bank (SRS is administrator)
- New Hampshire passed PACE enabling legislation in 2016
- Maine in process

C-PACE projects by amount financed

(By \$ funded)





PACE in Massachusetts

- Commercial Property Assessed Clean Energy (PACE) was passed in H4568 and signed by Governor Baker in August 2016
 - Amendment for PACE technical correction signed August 2019
 - Program launched July 28, 2020
- MassDevelopment acts as Lead Program Administrator
- MassDevelopment administers the PACE Massachusetts program in consultation with the Massachusetts Department of Energy Resources (DOER)
- PACE guidelines, related information including RFI for Capital Providers available at:

www.massdevelopment.com/PACE

Eligible Properties: Existing Buildings



Property Type

- Commercial/Industrial
- Not for profit
- Multifamily (5 units or more)

Examples

- Office buildings
- Malls
- Hotels
- Restaurants
- Manufacturers
- YMCAs
- Schools
- Health Care
- Apartment complexes

Eligible Measures

Measure Type

- Energy efficiency

- Renewable energy

- Gas line extensions

Potential Examples

- Energy management systems
- Insulation and air sealing
- HVAC systems
- Boilers and furnaces
- Lighting
- Energy Recovery and redistribution systems

- Solar panels
- Solar hot water
- Geothermal

PACE Example: Commercial Office Building

Opportunity: 100,000 sq. ft. commercial high rise office building that needed modernization to attract and retain tenants. Building systems were outdated and large capital expenditures were long overdue.

PACE Project:

- Installed new LED lighting, HVAC upgrades, new boiler, advance building controls, and window tinting.
- With no upfront costs, investments improved asset quality and significantly reduced operating expenses. PACE assessment payments were passed through to tenants, who received operating savings alongside the owner. The net operating income and asset value increased with the building improvements and associated operating savings

Amount of financing: \$ 1,100,000 **Term:** 20 yrs.

Annual O&M savings: 55%

PACE Example: Multi-family housing

Opportunity: Multi-family housing facility with inefficient older lighting, heating and cooling systems in need of costly repair

PACE Project:

- Energy efficiency improvements included replacing boiler with two new high-efficiency condensing units, installed high-efficiency chillers, new variable frequency drive-pumping technology, and new energy efficient LED lighting.
- Resulted in a 15% electric use offset and a 10% natural gas savings

Amount of financing: \$ 450,000

Term: 20 yrs. **Rate:** 5.00%

PACE Example: Distributor, Manufacturer

Opportunity: used PACE to refinance a previously completed renewable energy project

PACE Project:

- Installed LED lighting, 95kW (16,000 sq. ft) of solar panels and new roof
- Monthly energy costs were reduced by \$2,000
- Began working towards goal of becoming a zero energy business.
- Annually replaces 360,000 kilowatt hours of traditional electricity

Amount of financing: \$435,000

Annual Savings: \$40,000



Key Elements of PACE Massachusetts

- Municipal opt-in (one time) required
- Maximum financing term allowed by statute is 20 years (dependent on useful life of project measures)
- Energy cost savings must exceed cost of improvements (including any financing costs and associated fees)
- Third party direct private financing (no public funds used)
 - open, ongoing RFI for PACE Mass. Capital Providers (required for participation)

Key Elements of PACE Massachusetts (continued)



- Existing mortgage holders must provide written consent to a PACE financing and lien
- Municipal liens are senior to PACE liens; unpaid PACE assessments are senior to all other private mortgage liens in a foreclosure
- PACE assessments cannot be accelerated (only unpaid amount can be collected)
- If property is sold, the remaining PACE assessment and PACE lien stays with the property and transfers to new owner
- No limit or maximum financing cost*
 - * project must still meet energy cost savings requirement

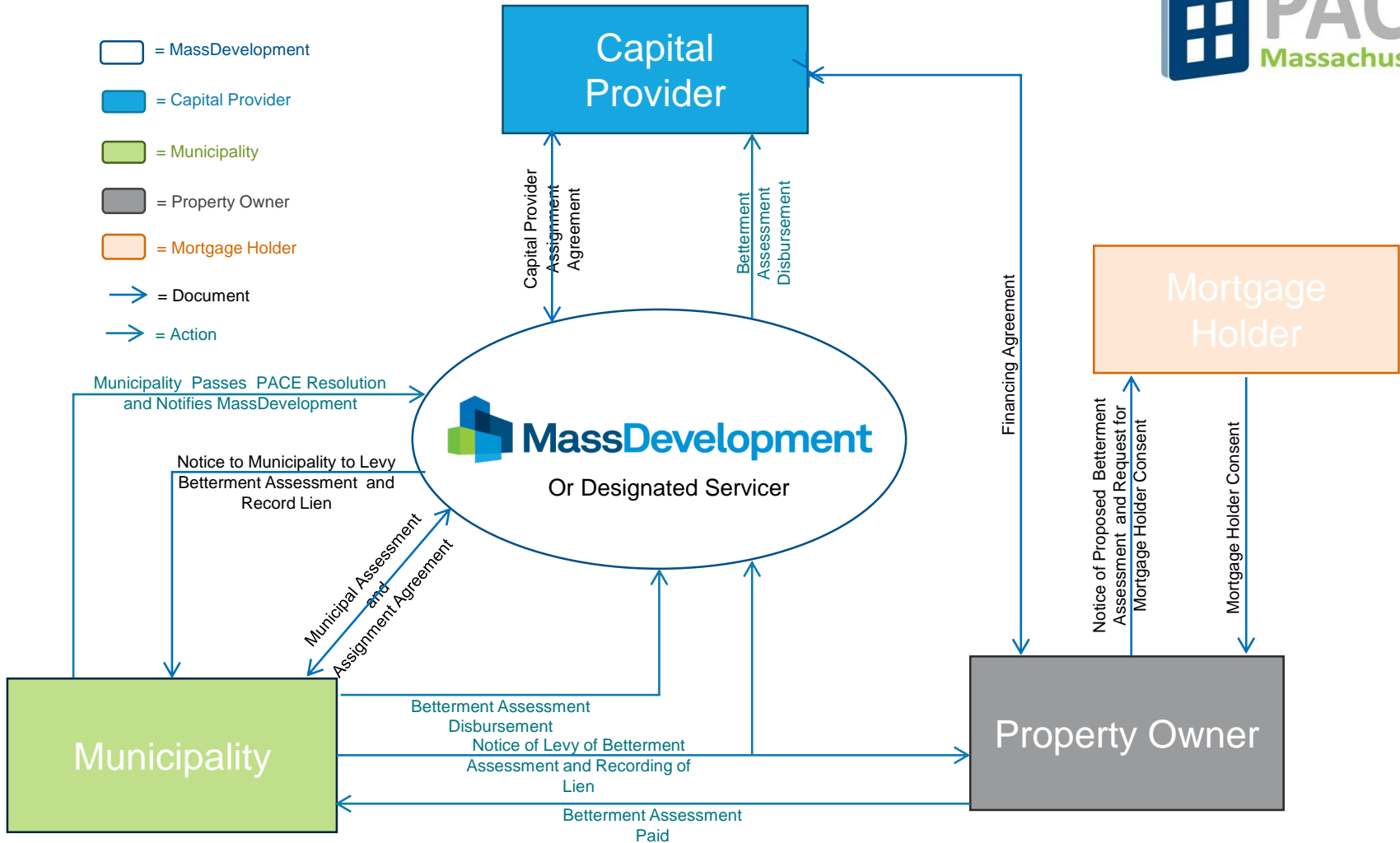
PACE-Authorizing Municipalities

(43 as of May 18, 2021)



- Acton
- Agawam
- Amesbury
- Barnstable
- Bellingham
- Beverly
- Boston
- Brockton
- Chelsea
- Chicopee
- Concord
- Devens
- Easthampton
- Erving
- Fall River
- Fitchburg
- Franklin
- Gardner
- Gloucester
- Greenfield
- Holyoke
- Lexington
- Ludlow
- Milton
- Montague
- New Bedford
- North Adams
- North Andover
- Northampton
- Norwood
- Orange
- Pittsfield
- Plymouth
- Randolph
- Rockland
- Salem
- Somerville
- Springfield
- Taunton
- Wellfleet
- Wendell
- West Springfield
- Yarmouth

Commercial PACE Structure



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