

Property Assessed Clean Energy
(PACE) Financing for Delaware
NCC – Economic Development Committee

November 21, 2017



What is PACE

Delaware
Sustainable
Energy Utility



www.energizedelaware.org

- A new economic development strategy with environmental benefits for commercial buildings.
- Secures private investment in energy savings and renewable energy through voluntary property assessments.
- Helps with business bottom line while increasing property value.

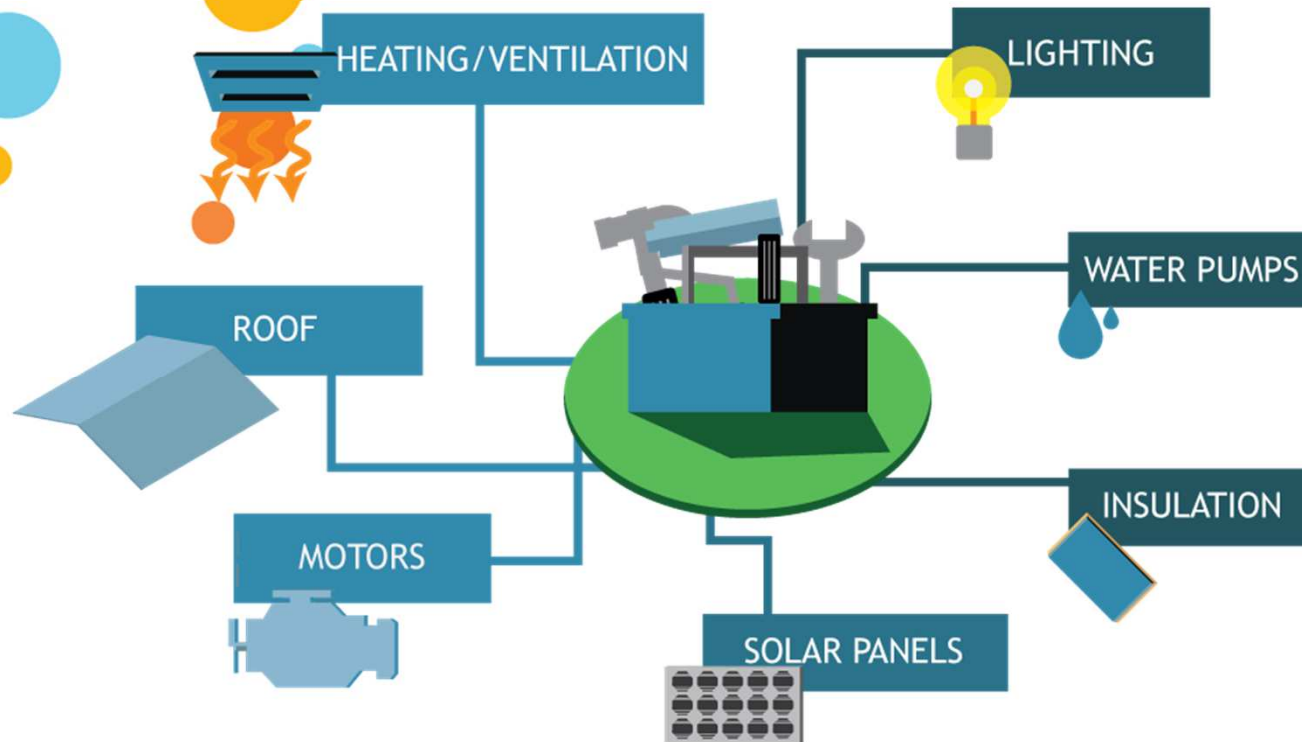
What For?

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Sustainable
Energy Utility

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Projects that Save or Generate Clean Energy



www.EnergizeDelaware.org

Maryland PACE Counties

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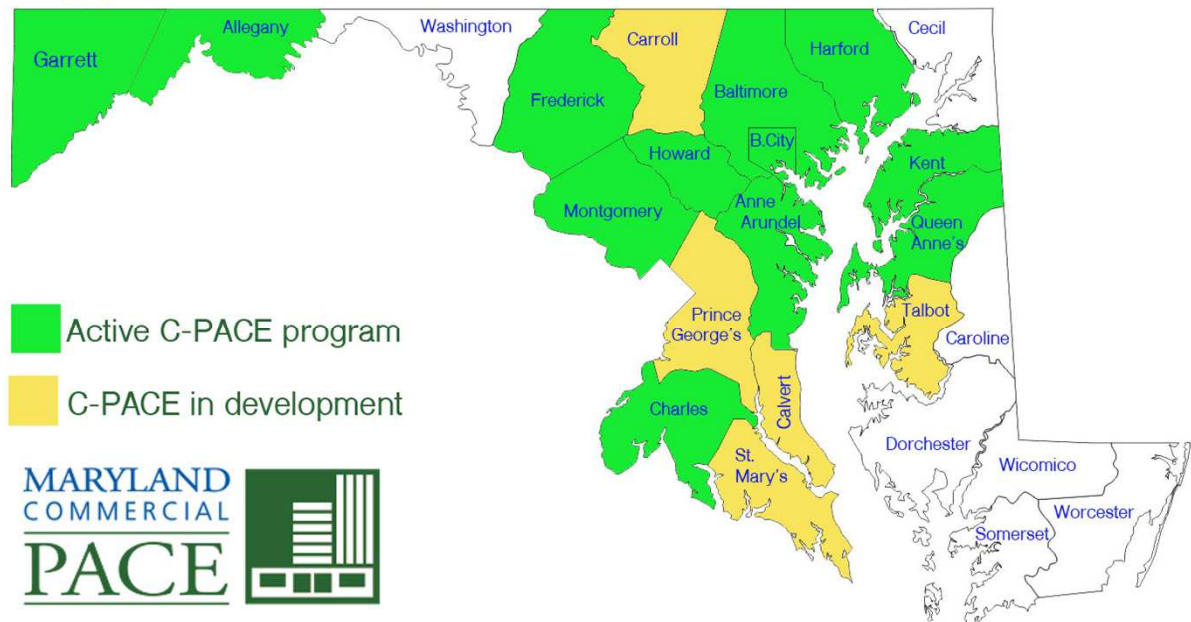
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Open for Business

- Allegany County
- Anne Arundel County
- Baltimore City
- Baltimore County
- Charles County
- Frederick County
- Garrett County
- Howard County
- Kent County
- Montgomery County**
- Queen Anne's County

Considering PACE

- Calvert County
- Carroll County
- Prince George's County
- St. Mary's County
- Talbot County



* Not MD-PACE

PACE Basics



Assessment Based Financing

- ✓ Statewide legislation to enable – SB 113
- ✓ Financing dollars come from private sources
- ✓ County assessment placed to pay debt service similar to property assessments. County collects service fees.
- ✓ PACE assessment survives sales, including foreclosures
- ✓ Future PACE assessments can assumed in the future by whomever buys the building

Why do Lenders Like PACE?



- *Stronger collateral*
- *Lower default rates*
- *Spreads costs and benefits to the tenants*
- *Opens new markets*

Why Building Owners Like PACE

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- *Long-term payback – up to 20 year funding*
- *No money out of pocket – 100% funding*
- *Positive cash flow basis*
- *Increases property value*
- *PACE can transfer on sale*
- *Share benefits and costs with tenants – eliminates split incentive*

Why are Mortgage Lenders Giving Consent?

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- Makes the lender's collateral – more valuable
- Improves borrowers cash flow, better able to pay mortgage
- Only PACE assessment in arrears is collectible Does not extinguish subordinate liens
- Lender can always say NO...

Why Do Local Governments Like PACE?

- Economic development
- Job creation
- Reduced CO2 emissions
- No tax money used
- Fees support assessor costs

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D-PACE in Delaware



Voluntary is Key Phrase

- **Voluntary** for Local Governments to Participate
- **Voluntary** for Borrower
- **Voluntary** for Lender
- **Voluntary** Approval of Primary Mortgage Holder

Delaware Assessed Clean Energy (D-PACE) for Commercial Buildings

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- SEU serves as Program Administrator
- Proposes county tax offices do loan servicing with a fee for service.
- Operational after SEU and stakeholder develop guidelines and after a public hearing
- SEU will cover start up cost, including assist county administration.

Status of Legislation

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- Senate Bill 113 is on Senate Ready List
- Senator McDowell and Rep. Trey Paradee Primary Sponsors
- Has Support From
 - Commercial and Industrial Realtors Council
 - Delaware State Chamber of Commerce
 - Delawareans for Economic and Environmental Development
 - MDV-Solar Energy Industries Association
 - Delaware Valley Green Building Council
 - National Electrical Contractors Assn.
 - Delaware contractors and commercial property owners