PACE financing OK'd by county

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JEFFERSON — The Jefferson County Board of Supervisors on Tuesday approved a new ordinance making available property assessed clean energy (PACE) financing in the county.

On hand to explain the PACE program to board members were Jason Stringer, a program planning consultant at the Wisconsin Energy Conservation Corporation (WECC), and Jon Hochkammer, an outreach manager for the Wisconsin Counties Association (WCA).

"Property assessed clean energy makes available low-cost, long-term financing for property owners to fund energy efficiency, renewable energy and water conservation improvements to their buildings," Stringer said. "That means we're funding new boilers, new windows, insulation, lighting — anything that really has an impact on a utility bill. So with this financing, what we're really doing is giving business owners a business case for reinvesting in their buildings (and) for investing in higher-performance new construction."

It's an economic development tool with "tremendous benefits" for Wisconsin communities, he noted. By approving the ordinance, the board effectively is helping to lower the cost of doing business in the county.

"The PACE legislation is something that 34 states have decided to opt-in with. It was federal legislation," Hochkammer explained. "One of the things that's in place, in order for a private company to get a PACE loan is that, in the event of a default on a PACE loan, the county at that point can place a special charge on the property tax bill.

"It's only if there is a delinquency and only for the amount of money that is the outstanding balance," Hochkammer continued. "We're not going to stand here and tell you there's never going to be a delinquency, but, because of the safeguards put in place — for example, any project over $250,000, there has to be a certified energy audit done prior to the loan approval that financially guarantees that the savings will more than pay for the interest and principal on the loan. So the reason the county is involved in this is the county passes an ordinance so that, in the event of a delinquency, the amount delinquent can go on the property tax as a special charge."

If a borrow defaults, the PACE lender bears all the risk, they said. The county does not pick up any liability by placing a special charge on the tax bill.

Stringer explained that getting a PACE loan instead of a direct bank loan is a benefit to property owners.

“From an economic development standpoint, I think of PACE financing as another form of gap financing,” he said. “When a property owner incorporates PACE financing into their overall capital schedule, or capital strategy, they effectively drive down the cost of capital because, in a lot of respects, they’re replacing their equity contribution with the PACE financing.”

Hochkammer cited an example: a corporation within the county that was looking to replace a boiler.

“Number one, if that boiler were to cost $400,000, the first thing that would have to happen is that energy audit would have to be done financially guaranteeing that the savings would more than pay for the principal and interest,” he said. “Under traditional financing, if you go to your lender, they’d say to you, ‘Well, we’ll give you 40 to 50 percent of what you need. The rest you’re going to have to come up with yourself. Here’s your interest rate — you have to pay it back in five to seven years.’”

A PACE loan is different. Once the energy audit is complete and guarantees the equipment will more than pay for itself, the borrower gets a slightly reduced interest rate and can get a loan up to the full amount of the project cost.

“You don’t have to have some equity before you get the loan,” Hochkammer said. “You can get up to the full amount of the loan, in this case $400,000, and then, rather than paying it back in five to seven years, if the lifetime of that equipment is 20 years, you can spread that loan out over 20 years. So it becomes a lot more affordable for the property owner.”

Anytime there’s an opportunity for an additional economic development where no local, state or federal taxpayer dollars are required, that’s a good thing, he said. “The WCA got involved and we had a couple things that were really important to us,” Hochkammer said. “We didn’t want financial or legal liabilities for the counties and we didn’t want additional workload for the counties. Therefore, we created a statewide PACE Commission and they met for the first time last week.”

In addition to the ordinance, the county board approved a resolution authorizing Jefferson County to become a member of the Wisconsin PACE Commission. That means an elected official from Jefferson County can be appointed to the commission.

Currently, eight counties in Wisconsin have approved PACE. They are Eau Claire, Dunn, La Crosse, Chippewa, Washington, Iowa, Douglas and Fond du Lac counties. Sheboygan County has passed a resolution and will be taking up the ordinance next month, Hochkammer said.

“The PACE Commission is administered by a third-party not-for-profit corporation, which is the Wisconsin Energy Conservation Corporation,” Stringer said. “We’ve been working in Wisconsin for over 36 years helping homeowners and businesses recognize the environmental and economic benefits of making energy-efficiency improvements to their buildings. We take care of the administrative side of things and there's no operating cost burdens to deliver this program for any of the member communities.

"Additionally, the Wisconsin PACE Commission is going to establish an open market program, which means any qualified financial institution can provide financing," he continued. "The PACE Commission will establish guidelines for what qualifies or certifies a lender. There are lenders out there today that want to make this financing available to property owners."

The commission will be responsible for creating uniformity in the program, Stringer said. Members currently are contemplating guidelines for the program's operations.

As one of the initial counties joining the commission, Jefferson County will have the opportunity to help shape the program in Wisconsin.

There is another major benefit to having a representative on the commission, Hochkammer explained.

"Let's say 20 counties pass PACE and become part of the PACE Commission," he said. "If there's a project in Jefferson County and, for whatever reason, your appointee to the board says, 'We don't like this project and we don't want it to move forward,' if 19 members of the commission vote 'Yes' on that loan, but the Jefferson County appointee says 'No,' they have that veto authority. So whoever the home county is is able to veto that loan."