

MEMORANDUM

To: BC Legislature Finance Committee

Date: June 24th, 2022

Re: Property Assessed Clean Energy (PACE)

OUR RECOMMENDATION

That the BC Legislative Finance Committee support the adoption of “Property Assessed Clean Energy financing to help homeowners make energy-saving retrofits and repay the cost over time.”

PACE financing is an innovative tool to assist building owners in retrofitting & renovating their properties in order to meet BC’s ambitious climate targets.

A PACE program would cost government very little to implement, and become self-sufficient in the medium term.

A brief synopsis of Property Assessed Clean Energy, its benefits, adoption in other jurisdictions, and potential opportunities for the Province of British Columbia follows.

DESCRIPTION

Property assessed clean energy financing, better known as PACE, is a financing innovation helping property owners upgrade their buildings through capital innovations such as energy efficiency, renewable energy and water reduction.

In a nutshell, PACE financing allows building owners to fund 100% of the cost of energy and resource improvements to their buildings and allows the repayment through their property taxes. PACE upgrades often create savings which are greater than the servicing costs - - thus generating an immediate positive cash flow benefit upon completion.

The majority of PACE financing is used to retrofit commercial and industrial buildings (or help build new) to obtain low cost, long-term financing for energy efficiency, water conservation and renewable projects.

PACE financing typically have a few key characteristics. The financing is secured by a tax lien on the property and is repaid over the expected life of the upgrade through the property tax system, thus permitting long-term and secure financing which stays with the building in the event of its sale or foreclosure.

ADVANTAGES OF PACE

- 1. Emissions Reductions.** The built environment represents more than one third of British Columbia's current GHG emissions. A PACE program could support the renewal and replacement of existing commercial infrastructure, thereby meet the government's reduction targets outlined in the CleanBC Plan.
- 2. No Upfront Costs.** PACE provides up to 100% financing for these building efficiency projects.
- 3. Immediate Positive Cash Flow.** PACE projects are usually designed to ensure that the energy savings result in a positive cash flow each month, actually lowering monthly operating expenses. The increased property tax levy is offset by lower utility bills.
- 4. Long-Term Financing.** PACE financing for commercial properties are spread over the useful lives of the project.
- 5. Non-Recourse Financing.** A PACE assessment stays with the property upon its sale, enabling building owners to make deep energy efficiency improvements with financing that does not need to be paid off upon its sale, but instead transfers to the new owner.
- 6. Ability to Pass Payments Through to Tenants.** As PACE financing uses a property tax assessment, it can be passed through to the tenants easily under many common triple-net leases.
- 7. Low Interest Rates.** PACE offers an opportunity to acquire a bond tax lien financing rate for projects, providing access to the institutional grade debt market and to longer-term financing than property owners would likely secure on their own.
- 8. Higher Rent and Greater Property Value.** Recent research indicates that green buildings command higher rents and increased property values, making PACE funded improvements a good investment.

HISTORY OF PACE

PACE was first adopted in the United States in 2008 and has grown consistently over the past two decades.

PACE legislation has been adopted in 37 jurisdictions in the United States, and PACE programs are operating in 24 of them.

More than 300,000 building owners have used residential and commercial PACE financing to invest more than \$10 Billion in PACE projects

PACE enabled jurisdictions in the United States are projected to have the following impacts from PACE investments to date (over the lifetime of their projects):

- \$19 Billion in total economic impact
- 152,000 job years created
- 11 Million metric tons of CO₂ equivalent emissions avoided
- 36 Billion kWh of energy saved

In Canada: Nova Scotia, Ontario, and Alberta have adopted programs that are similar to PACE, but have high levels of government oversight and require continuous taxpayer funding, none of them have met with broad success to date.

CONCLUSION

A number of Ministers have already been mandated with the adoption of “Property Assessed Clean Energy financing to help homeowners make energy-saving retrofits and repay the cost over time.”

We strongly encourage to support and endorse this policy direction, while providing insight and input that might improve the eventual implementation.

PACE financing is a powerful tool to help harness private capital in addressing the climate crisis, by transforming the building stock.

Critically, necessary building retrofits will likely only occur once in the 25 year time horizon we have before 2050. We need to use every tool available to us to address emissions, build resiliency, and respond to the climate crisis.