

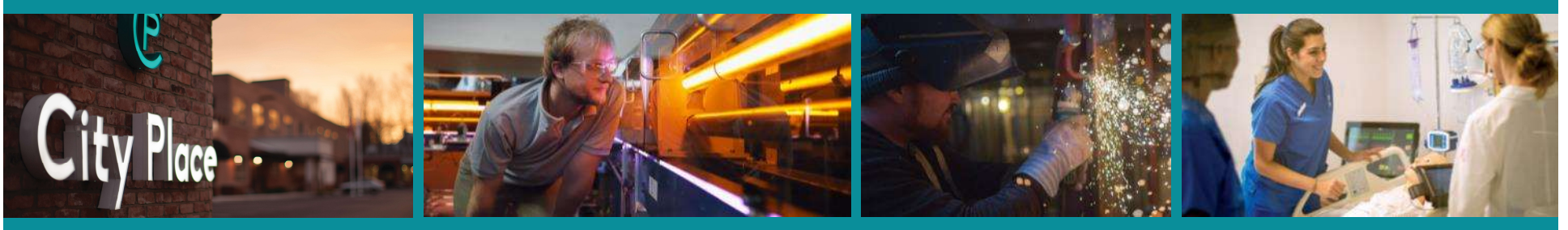


# **PACE Massachusetts Program Information**

**December, 2019**



# MassDevelopment Overview



- Massachusetts' finance and development agency, working with businesses, nonprofits, banks, and communities to stimulate economic growth.
- FY2019 Results
  - Financed or managed 316 projects
  - Invested more than \$2 billion in the Massachusetts economy
  - Created or supported 9,743 jobs and built or preserved 1,992 housing units

# Who We Serve



## **Businesses**

Helping companies expand, modernize, and relocate.



## **Developers**

Making the difference at every stage of development.



## **Housing**

Building expertise, from predevelopment to construction.



## **Manufacturers**

Finding skilled employees, opening global markets.



## **Municipalities**

Eliminating blight, revitalizing downtowns, creating opportunities.



## **Nonprofits**

Working with nonprofits to upgrade, renovate and expand.



## **Banks**

Partnering with banks to provide creative financing.

# How We Serve



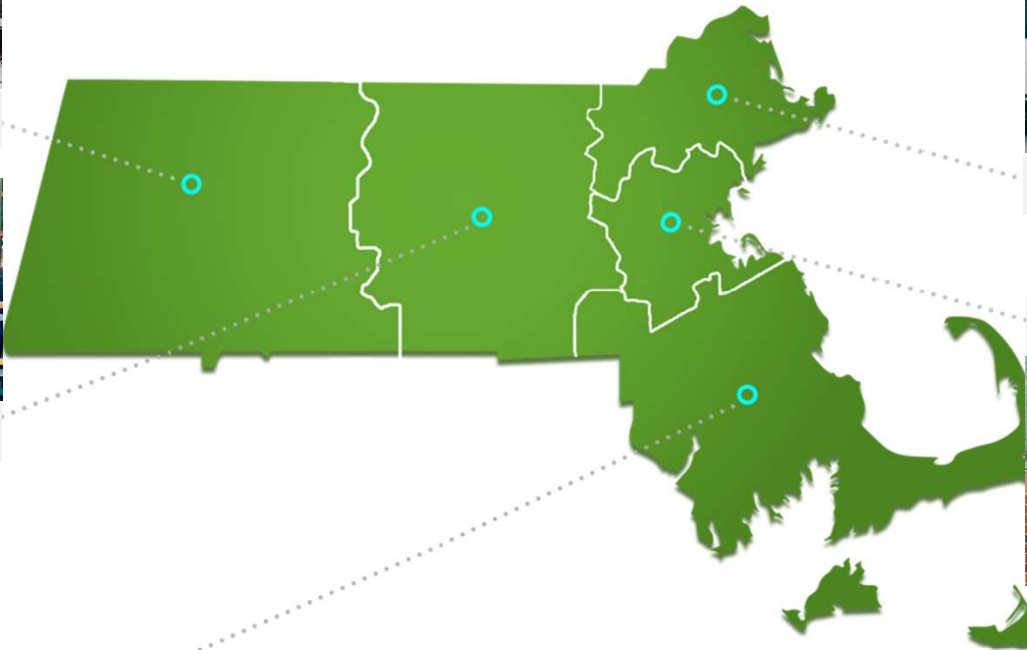
West



Central



South



North



Greater Boston

# What We Offer



## Real Estate

- Technical Assistance
- Development Projects



## Finance

- Bond Financing
- Grants
- Loans & Guarantees
- Tax Credits



# Partnering With Banks

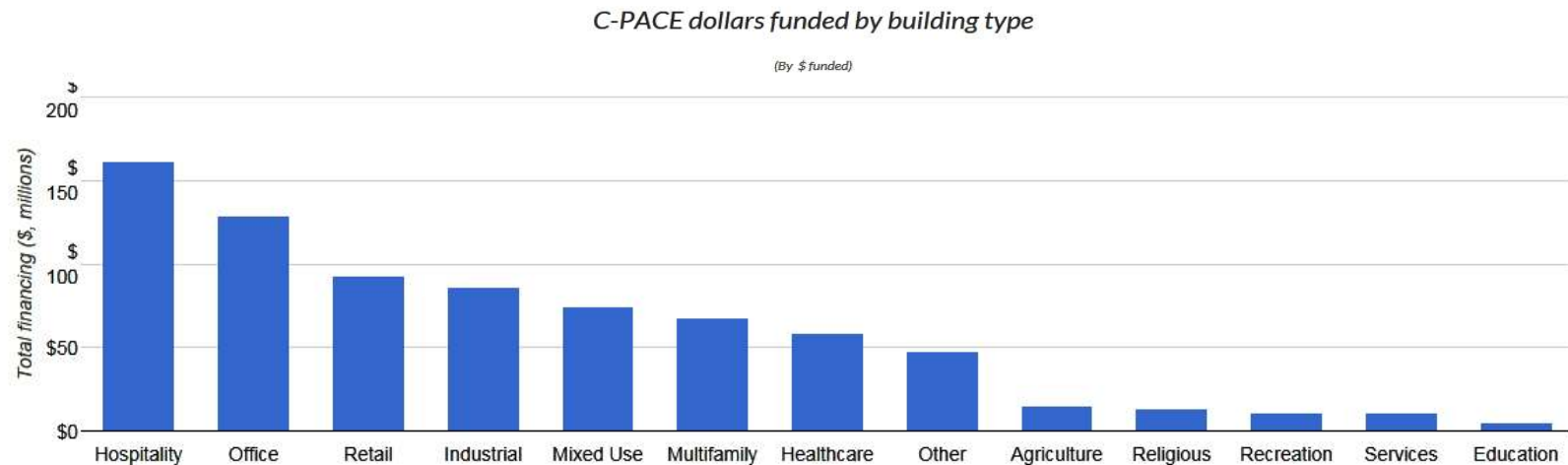
- Loan participations
  - Spreading risk
  - Keeping customers
- Loan Guarantees
  - Supporting higher LTVs and LOC advance rates
- Tax-Exempt Bonds
  - Structuring bank loan as tax-exempt bond to pass on lower interest rate to customer

# What is PACE?

- Property Assessed Clean Energy (PACE) is a tax-based financing mechanism that enables low-cost, long-term funding for energy improvements
- PACE financing is repaid via a betterment assessment on a property's tax bill
- PACE betterment assessments work similar to improvements for public infrastructure that benefit specific properties (i.e., sidewalk or sewer)

# National Commercial PACE Market

- 20 States (plus DC) have active commercial PACE programs
- 36 states (plus DC) have PACE enabling legislation
- \$1.1 billion financed for 2,020 projects (as of 10/2019)



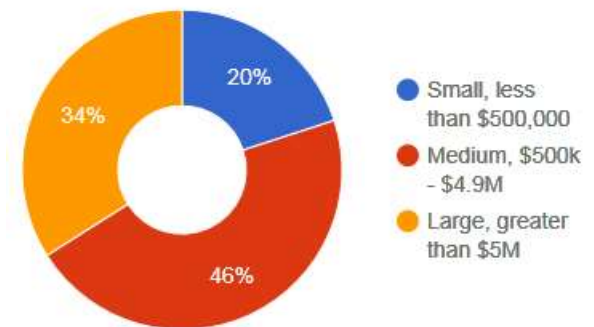


# New England Commercial PACE Programs

- Connecticut passed PACE enabling legislation in 2011 and a series of amendments in 2012 and 2015; 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

*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
  - PACE Massachusetts will become available in early 2020
- MassDevelopment will act as Lead Program Administrator
- MassDevelopment will administer the PACE Massachusetts program in consultation with the Massachusetts Department of Energy Resources

# 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

# 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)
- Existing mortgage holders must provide written consent to a PACE financing and lien

# Key Elements of PACE Massachusetts (continued)



- 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
- Minimum project cost for financing is \$250,000
- No limit or maximum financing cost\*
  - \* project must still meet energy cost savings requirement



# Project and Financing Steps



- Property Owner selects Capital Provider (before or after project application submission)
- Project Application submitted to MassDevelopment
- Review conducted by MassDevelopment and the DOER
- The DOER performs technical review of project energy measures and proposed energy savings

# Project and Financing Steps



- MassDevelopment
  - Verifies that municipality where project is located has authorized PACE
  - Reviews to ensure required property and financial information has been submitted by applicant
  - Verifies Mortgage holder consent was obtained (if applicable)
- If application approved, owner proceeds with Capital Provider and finalizes project details and financing terms
- MassDevelopment counsel prepares financing documents for closing

# Project and Financing Steps



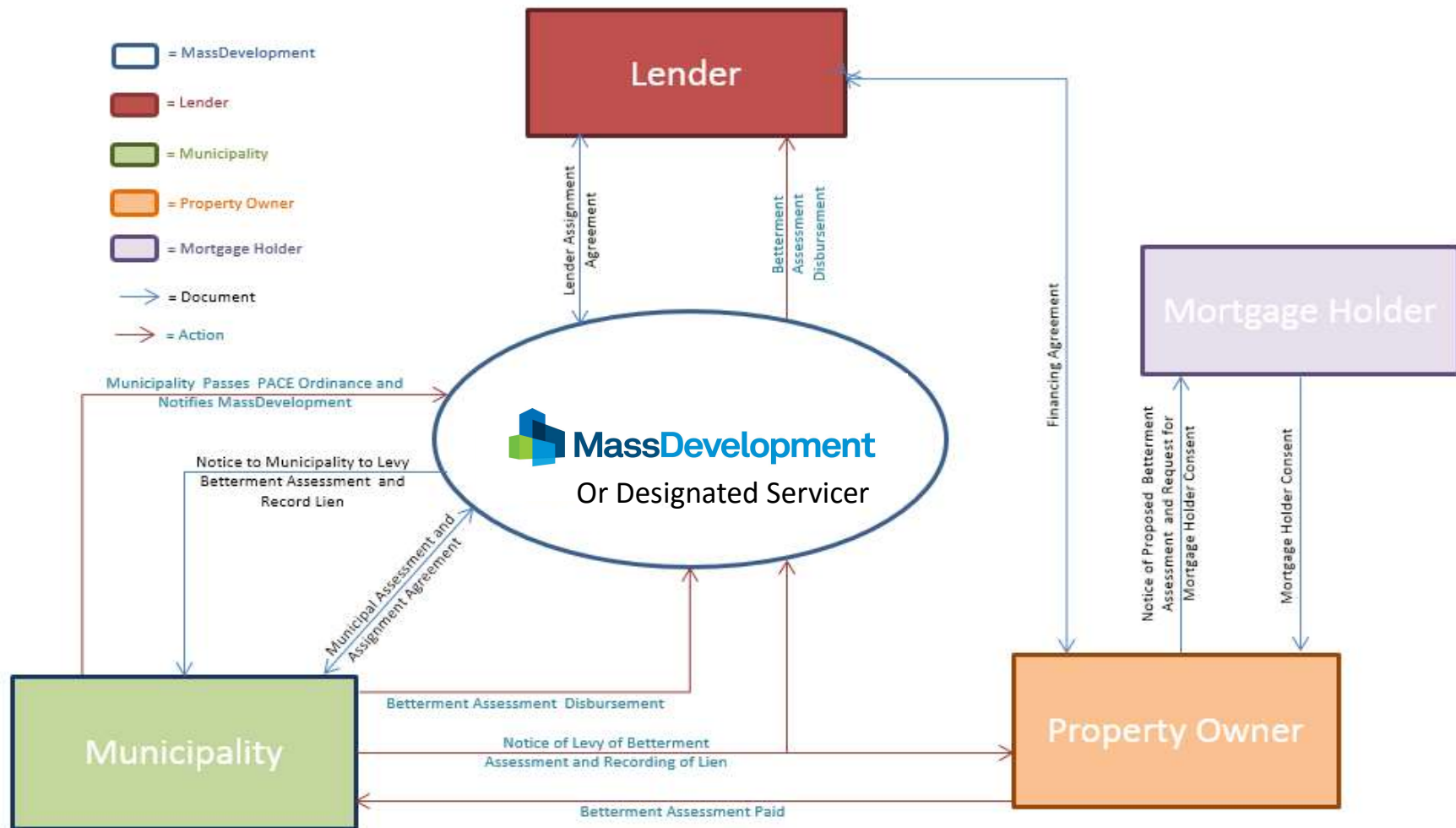
- When financing closes:
  - MassDevelopment instructs Municipality to levy PACE betterment assessment and record PACE lien
  - Municipality assigns lien to MassDevelopment
  - MassDevelopment assigns lien to Capital Provider
- Municipality responsible for billing and collecting PACE assessments via municipal property tax bill and disbursing amounts collected to MassDevelopment's payment servicer
- Once received, the payment servicer will disburse assessment funds to each appropriate Capital Provider

# PACE Authorized Municipalities



- Acton
- Agawam
- Amesbury
- Barnstable
- Devens
- Fall River
- Fitchburg
- Greenfield
- Gardner
- Lexington
- North Adams
- Northampton
- Pittsfield
- Randolph
- Rockland
- Wendell
- West Springfield
- Yarmouth

# Commercial PACE Structure





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