

# Commercial Property Assessed Clean Energy (PACE) Financing

October 18, 2016  
Board Presentation

Community Services Department  
Division of Energy and Sustainability Initiatives



COUNTY OF SANTA BARBARA

# Board Item

## **Recommended Action:**

- A. Receive and file this briefing on Commercial PACE
  
- B. Direct staff to either:
  - Not pursue Commercial PACE further at this time; OR
  - Pursue implementation of a third-party administration model for Commercial PACE and return to the Board at a later date with a budget revision request for funds needed to implement the third-party administration model

# Background

- **Definition of PACE**  
PACE programs allow property owners to finance the upfront cost of energy efficiency, water efficiency and renewable energy projects and repay these costs over time through an assessment on the property.
- **On May 10, 2016 staff provided the Board with updates on commercial PACE including:**
  - Benefits and concerns
  - Program uptake
  - Other financing options
  - Summary info on business model options
- **Board directed staff to return with:**
  - Detailed information on commercial business model options
  - Information on potential disadvantages
  - Input from other local government

# Business Model Options

- **Commercial PACE business model option has varying advantages, disadvantages and costs depending on model.**
  - **Third-Party Administrator** (majority of public entities utilize this model)
    - Limited ability control program practices
    - Lower investment costs and risk
  - **Public Entity Administrator**
    - Ability to design and oversee the program
    - High investment cost and risk
  - **Hybrid Public Entity and Third-Party Administrator**
    - Oversight over program development but ability to outsource activities
    - High investment cost and risk

# Fiscal & Staffing Impacts

- Commercial PACE is not currently budgeted
- Public Entity and Hybrid models would require one (1) additional FTE

PACE BUSINESS MODEL OPTIONS						
	3rd Party Model		Public Entity Model		Hybrid Public Entity & Third Party Model	
Expenses	Total One-Time Set Up Cost	Annualized Ongoing Cost	Total One-Time Set Up Cost	Annualized Ongoing Cost	Total One-Time Set Up Cost	Annualized Ongoing Cost
Staff Time	\$21,121.55	\$13,566.00	\$287,280.17	\$157,280.17	\$187,280.17	\$71,720.11
Lending Capital	\$0.00	\$0.00	\$10,000,000.00		\$0.00	\$0.00
<b>Total</b>	<b>\$21,121.55</b>	<b>\$13,566.00</b>	<b>\$10,287,280.17</b>	<b>\$157,280.17</b>	<b>\$187,280.17</b>	<b>\$71,720.11</b>

# Local Government Survey

## ○ **Highlights from Survey**

- 22 of the 33 Counties that responded have established a commercial PACE financing program
- Lender consent cited as reason local governments felt comfortable moving forward with Commercial PACE
- 10 of the counties that responded stated that they have not established a commercial PACE program
- Respondents stated that they were either unsure, felt there were unclear administration questions or that commercial PACE was caught up with issues surrounding residential.

# Next Steps

- Should the Board decide to pursue commercial PACE, staff would recommend the third-party administration model.
- Next steps would be:
  - Staff to return to Board with a Budget Revision Request
  - Staff to conduct a Request for Proposal to determine program administrator(s)
  - Staff return to the Board to authorize execution of all establishing documents
- If the Board decides not to pursue commercial PACE, staff will continue to refer commercial property owners to other available financing options