

A Sunny Day Fund



Private Financing Allows Profits from Sustainability on Day One



HAGBARK LUMBER AND FARM SUPPLIES, inc., in East Haddam, Conn., looks like any rural TrueValue Hardware with an extended outdoor area: it has wood paneling, pallets stacked with potting soil, and a weathervane on the roof. Relaxed

and unfussy, it appears ready to serve the dusty needs of farm and garden. But here's the difference: Along with the weathervane, the roof holds 540 270-watt solar panels.

Co-owner Joanna Hunt and comptroller Julia Leonardo were able to have those installed through a property-assessed clean energy (PACE) loan for \$485,000 with the Connecticut Greenbank, and the panels went live in July 2014. Leonardo says that they have covered all the firm's power needs and allowed Shagbark to make money ahead: in late summer 2014, Leonardo noted that they have banked a 13,000-kilowatt-hour credit since the installation and that the hardware business's energy costs are down by about 80 percent, and she confirmed by email recently that the company is still financially very much ahead as a result of the change.

Being able to make that change was a surprise to them. They had always wanted to use solar and to save money — but as a small business, they had not dreamed that they'd be able to afford the transition, Joanna Hunt said in a case study on the C-PACE website in Connecticut.

PACE is a program that began in Berkeley in 2007, when Cisco DeVries, then an aide to Mayor Tom Bates, was thinking about ways to help each homeowner afford rooftop solar panels. In the funding program, currently supported in 23 states and the District of Columbia, building owners receive 100-percent financing in advance to make changes in lighting, heating, cooling systems, insulation, motors and water pumps, or to add solar panels and other efficiency systems.

In early October, Houston City Council gave notice of intent to establish a municipal PACE program. This was open to public comment later in October. Travis County (Austin) adopted PACE in March, and Dallas City Council reviewed a proposal for PACE around the same time the Houston Council did.

In general, PACE works like this: An interested business owner contacts the PACE program and is directed to a

contractor, then helped to figure out which energy upgrades make sense to the owner for the project. The system arranges 100-percent private financing that is paid back in up to 20 years with an assessment added to the property tax bill. If the building is sold, the assessment is transferred to the new owner. In most cases, assessments can also be shared by tenants on leases. The goal is for the immediate utility savings to be greater than the debt payments. Also, this is a type of financing that can allow speculative developers and owners, who are not in building ownership for the long-term, to make an immediate gain.

The goal in municipalities, of course, is to help owners make energy-efficiency improvements without paying upfront. "Buildings in the United States use about three-quarters of all of the energy that we consume, and so building owners and policy makers, they're all looking for ways, how do we cut that energy use, how do we save money?" DeVries noted in a video on the PACENation website. "PACE is often the best way to come up with the up-front cost to pay for those improvements, and then allow that to be paid back over time."

Things have moved right along lately. The Texas Legislature approved a statewide PACE program with SB385 in 2013. In 2015, Texas, Utah, Illinois, Colorado, and Florida expanded commercial PACE programs. The nonprofit organization Keeping PACE in Texas has also developed a PACE in a Box program intended to make PACE programs easy to launch across the state.

"PACE is a win for property owners, contractors, lenders, communities and the City of Houston," noted Laura Spanjian, former Director, Office of Sustainability, City of Houston. "It will finally be easier and more affordable for commercial, industrial and multi-family property owners to obtain low-cost, long-term loans for water conservation and energy-efficiency retrofits, and distributed energy projects. PACE breaks down the barriers that exist in the market today, creating a solution that saves money as well as resources."

In Connecticut, small projects continue to move through the PACE system. The Bushnell Center, a Hartford performance hall built in 1919, received C-PACE funding of \$384,000 to buy a new hot water heater and three high-efficiency boilers to replace an inefficient 40-year-old boiler. The center's vice president of finance/CFO, Patti Jackson, said, "This project had been on our 'critical capital needs' list for some time, while we looked for ways to finance the significant expenditure. C-Pace provided a unique solution to fund the project that will save us in excess of \$30,000 annually." ●