

HB 80 Property Assessed Clean Energy (PACE) Financing Sponsor Statement

There is a continuing need in Alaska to encourage energy efficiency improvements and utilization of alternative energy sources as a means of lowering energy costs. Passage of HB 80, An Act adopting the Municipal Property Assessed Clean Energy Act, will allow local governments access to a voluntary financing mechanism that can incentivize and assist commercial property owners to make energy improvements.

HB 80 establishes a uniform process that local governments would follow to create a Property Assessed Clean Energy (PACE) financing mechanism at their discretion. Local PACE financing would incentivize energy efficiency improvements to commercial buildings by allowing use of the existing property tax collection mechanism as a means of servicing loans for energy efficiency improvements and alternative energy installation on commercial property. Thirty-two other states have enabled PACE financing structures and use of the mechanism is growing across the nation.

Under a PACE program, local governments work with interested business owners to identify economic energy improvements, and connect with sources of low interest financing. PACE repayment using the existing tax and assessment collection mechanism:

- results in low default rates which facilitate low interest lending;
- allows for longer financing periods which reduces overall annual business expenses; and
- offers seamless transferability of the remaining obligation if the commercial property is sold.

Commercial property owners that choose to utilize PACE would first have their buildings audited to determine potential improvements to make and quantify anticipated annual energy savings. They would then work with their local PACE program to line up local lending to perform the improvements. It is up to the local PACE program to identify and facilitate access to funds for the lending itself. The PACE obligation is then repaid through a voluntary assessment added to the annual property tax assessment that may be in place for up to 20 years.

As state funds continue to tighten, it is incumbent upon the Legislature to identify other means to assist Alaskans with high energy costs. Authorizing local governments to consider offering commercial properties access to PACE financing represents a sensible step that can be taken with no obligation to the state. In addition, PACE financing will stimulate local economies through increased business for contractors.