

SB

56

<TARGET><BILL>SB 56</BILL><SUBJECT>SB
56</SUBJECT><COMM>SCRA29</COMM></TARGET>

STATE CAPITOL
P.O. Box 110001
Juneau, AK 99811-0001
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Governor Bill Walker
STATE OF ALASKA

February 17, 2015

The Honorable Kevin Meyer
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Meyer:

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill relating to establishing a municipal property assessed clean energy program.

Implementing energy efficiency measures in commercial buildings offers an opportunity for owners to reduce energy consumption. This not only can reduce operating costs to the building owner, but also can reduce energy demand on local utilities and improve the reliability of local energy and electrical systems. Financing energy efficiency measures can be a substantial barrier for building owners.

The bill would empower local governments to establish property assessed clean energy programs. These local programs would enable building owners to more easily borrow money from either the municipality or a private lender to implement energy efficiency measures by making property tax assessments available to ensure repayment of the debt obligation. Municipalities may issue bonds to fund a municipal lending. Building owners would voluntarily allow the local municipality to impose a tax assessment on their property. The tax assessment would be payable annually with property taxes, with the proceeds used to repay the lender or bond holders over the full life of the loan. Because the lender or bondholder would have a more assured revenue source for loan repayment, the financing costs should be reduced. The net effect of the program is that commercial building owners will be able to more easily implement energy efficiency measures. The owners will reap benefits from reduced energy and financing costs associated with the energy efficiency improvements.

The program would be known as the Municipal Property Assessed Clean Energy Act.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in black ink that reads "Bill Walker".

Bill Walker
Governor

SENATE COMMITTEE REPORT
First Committee of Referral

DATE: 2/18/15

FURTHER: Finance

Date of 5-Day Notice: 3/3/15
 (in accordance with Uniform Rule 23)

DATE TURNED
 IN TO OFFICE: 3/17/15

Community and Regional Affairs Committee considered SENATE BILL NO. 56

SB 56 MUNI ENERGY IMPROVEMNT ASSESSMNTS/BONDS

"An Act adopting the Municipal Property Assessed Clean Energy Act; authorizing municipalities to establish programs to impose assessments for energy improvements in regions designated by municipalities; imposing fees; and providing for an effective date."

and recommends:

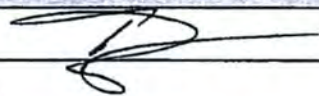
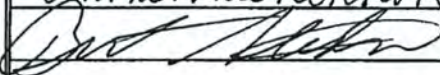
- be replaced with CS _____ (_____) Same Title New Title
- adopt previous CS _____ (_____) Same Title New Title
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

Dept Abbr.	
ADM	LWF
CED	LAW
COR	LEG
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
CED			✓	1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	Do PASS	DO NOT PASS	NO REC	AMEND
	EGAD	✓			
Anna MacKinnon	MacKinnon			✓	
	Steinman			✓	
CHAIR: C. Lih Bishop	Bishop	✓			

Fiscal Note

State of Alaska
2015 Legislative Session

Bill Version:	SB 56
Fiscal Note Number:	1
(S) Publish Date:	2/18/2015

Identifier: DCCED-AEA-01-16-15
 Title: MUNI ENERGY IMPROVEMNT
 ASSESSMNTS/BONDS
 Sponsor: RLS BY REQUEST OF THE GOVERNOR
 Requester: Rules By Request of the Governor

Department: Department of Commerce, Community and
 Economic Development
 Appropriation: Alaska Energy Authority
 Allocation: Statewide Project Development, Alternative
 Energy and Efficiency
 OMB Component Number: 2888

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2016 Appropriation Requested	Included in Governor's FY2016 Request	Out-Year Cost Estimates					
			FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None								
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues								
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Estimated SUPPLEMENTAL (FY2015) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2016) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? no
 If yes, by what date are the regulations to be adopted, amended or repealed? n/a

Why this fiscal note differs from previous version:

initial version

Prepared By:	Sara Fisher-Goad, Executive Director	Phone:	(907)771-3000
Division:	Alaska Energy Authority	Date:	01/15/2015 02:30 PM
Approved By:	Catherine Reardon, Administrative Services Director	Date:	01/16/15
Agency:	Department of Commerce, Community and Economic Development		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2015 LEGISLATIVE SESSION

Analysis

The legislation provides the opportunity for municipalities and businesses to voluntarily participate in a Municipal Assessed Clean Energy finance program. The program would allow municipalities to create a structure where businesses could finance energy efficiency upgrades to existing commercial properties (including the conversion to natural gas) through traditional lending, or a municipal sources and repay the loan through an assessment charge on the individual annual property tax assessment.

There is no fiscal impact to the Alaska Energy Authority, or the state of Alaska, with the passage of this proposed legislation.



SB 56- Muni Energy Improvement Assessments/Bonds

DETAILED SECTIONAL ANALYSIS

- Section 1: Amends AS 29 by adding a new chapter 48. Municipal Assessed Clean Energy Act and adds:
 - Sec 29.29.010, Exercise of Powers, which allows municipalities to exercise powers under AS 29.40.060 (Judicial Review).
 - Sec 29.49.020 Authorized Assessments, allowing for an assessment to be imposed to repay the financing of qualified projects on real property in the municipality or local government that adopts this program. Qualified projects do not include undeveloped lots or lots undergoing development at the time of assessment or the purchase of products or devices that are not a permanent part of the property.
 - Sec. 29.49.030, Written Contract for Assessment Required, requires a written contract between the municipality and record owner of the real property before the PACE mechanism can be utilized.
 - Sec. 29.49.040 Establishment of Program, authorizes municipalities to choose to establish a property assessed clean energy (PACE) program that would require a written contract with a record owner of real property. The financing for the PACE mechanism may be provided by a third party, or if authorized by the program, by a municipality. Repayment of third-party or municipal financing must be assured through a written contract with the property owner to finance the qualified project through a voluntary property tax assessment.

The financing may include project costs, materials, labor, permit fees, inspection fees, lender's fees, program application and administrative fees, project development and engineering fees, third-party review fees, including verification review fees under AS 29.49.090 and any other fees that may be incurred by the property owner relating to the installation, modification, or improvement, as determined by the municipality.

- Sec. 29.49.050 Designation of Region, allows the municipality to participate in the program and designate an area of the municipality for participation. This may include the entire municipality or more than one region, but each must be located wholly within the municipality's jurisdiction.
- Sec. 29.49.060 Procedure for Establishment of Program, defines the necessary actions for a municipality to establish a property assessed clean energy finance program. These are:
 - Adopt a resolution of intent that includes:
 - a finding that financing of qualified projects through contractual assessments is a valid public purpose
 - a statement that the municipality intends to make contractual assessments to repay financing for qualified projects available to property owners
 - a description of the types of qualified projects
 - a description of the region boundaries

- a description of any proposed arrangements for third-party financing or municipal financing
 - a description of the municipal debt servicing procedures if third-party financing is provided and assessments collected to service the third-party debt
 - reference on the proposed program required by AS 29.49.010 and identifying where the report is available to the public
 - identifying the time and place for a public hearing
 - identifying the local official and assessor-collector for the proposed contractual assessments with property taxes imposed on the assessed property
- Hold a hearing where the public has the opportunity to provide comment, including on the report required in AS 29.49.070
- Adopt a resolution establishing and defining the terms of the program, including:
 - each item included in the report under AS 29.49.070
 - a description of each aspect of the program that may only be amended after another public hearing
- The resolution may incorporate the report or the amended version of the report as reference.
- The program and terms may be amended by a resolution from the governing body of the municipality.
- A municipality may hire a program administrator and program staff or contract for professional services to administer the program.
- Fees may be assessed as an application fee, a component of the interest rate or a combination of both.
- Sec. 29.49.070 Report Regarding Assessment, defines the requirements of the municipality's publicly-available report on the program, as required by AS 29.49.060. The report must include:
 - a map showing the boundaries of the proposed region
 - a form contract between the municipality and property owner that specifies the terms of the assessment and either the third-party or municipal financing
 - If third-party financing is used, a form contract must be included regarding the servicing of the debt through assessments.
 - A description of the types of qualified projects and a plan for ensuring sufficient capital for third-party financing
 - If appropriate and municipal bond financing is used, the report must identify:
 - A plan for raising capital for municipal financing.
 - A maximum aggregate annual dollar amount for financing to be provided by the municipality

- The method for ranking requests from property owners if requests will likely exceed the available municipal funding, and the method for determining the interest rate and maximum amount of an assessment.
 - A method for ensuring that the repayment schedule does not exceed the useful life of the qualified project.
 - A description of the application process and eligibility requirements
 - A method to ensure that property owners have the capacity to participate and repay the financing obligations.
 - A statement describing the assessment and collection process provided by AS 29.49.080.
 - A statement explaining the review requirement provided by AS 29.49.090.
 - A description of marketing and educational services to be provided.
 - A description of quality assurance and antifraud measures.
 - Collection procedures.
 - The method for ensuring the demonstration of financial ability must be based on appropriate underwriting factors, including verification that the property owner is the legal owner of the property, current on mortgage and property tax payments and is not insolvent or in bankruptcy proceedings. An appropriate ratio of the assessment to the assessed value of the property must be maintained.
 - The municipality shall make the report publicly available online and at the primary governing office of the municipality.
- Sec. 29.49.080, Notice to Mortgage Holder Required for Participation, sets a series of requirements for the municipality before it may enter into a written contract with a record owner of real property:
 - The holder of any mortgage lien on the property must be given written notice within 30 days before the contract is executed.
 - And a written consent from the mortgage lien holder must be obtained.
- Sec. 29.49.090, Review Required, requires the third-party review of baseline energy conditions in a proposed qualified project and the projected energy savings. After project completion the municipality must obtain a third-party verification that the project was properly completed and is operating as intended.
- Sec. 29.49.100, Direct Acquisition by Owner, the proposed financing arrangements for a qualified project may authorize the property owner to directly purchase necessary equipment and materials, contract directly-including through lease- power purchase agreement or other service contract for the installation or modification of a qualified project.
- Sec. 49.110, Recording of Notice for Contractual Assessment Required, requires a municipality that authorizes financing through contractual assessments to file written notice of each contractual assessment in the real property records of the recording district in which the property is located. This notice must contain the amount of the assessment,

legal description of the property, name of each property owner and a reference to the statutory assessment lien.

- Sec. 29.49.120, Lien, states that contractual assessments as part of this program and any interest and penalties are liens on the assessed property and are prior and paramount to all liens except municipal tax liens and special assessments. Contractual assessment liens may be enforced as provided by AS 29.45.320- 29.45.470.
 - Contractual assessment liens are attached with the land and foreclosure of a property tax lien does not eliminate outstanding assessments.
 - Penalties and interest may be added to delinquent installments of the assessments, consistent with AS 29.45.250.
 - A municipality may recover costs and expenses, including attorney fees, if a suit is filed to recover delinquent installment of assessments, consistent with the delinquent property tax suit process.
- Sec. 29.49.130, Collection of Assessments, states that the governing body of a municipality may contract with the governing body of another taxing unit to collect assessments as outlined under this chapter.
- Sec. 29.49.140, Bonds or Notes, authorizes a municipality to issue bonds or notes to finance qualified projects.
 - Bonds issued under this section must be secured by one or more of the following:
 - payments of contractual assessments on benefited property in one or more specified regions
 - reserves established by the municipality from grants, bonds or net proceeds or lawfully available funds
 - municipal bond insurance, lines of credit, public or private guaranties, standby bond purchase agreements, collateral assignments, mortgages or any other available means of providing credit support or liquidity, and
 - any other funds lawfully available for purposes consistent with this chapter.
 - The governing body of the municipality must include this information in a resolution approving the bonds or notes.
 - The municipality's contractual rights in connection with the issuance of bonds or notes is a first lien on the property, without further action by the municipality. The lien is valid and binding against any other person, with or without notice.
 - Bonds or notes issues under this chapter further an essential public and governmental purpose, including the:
 - Improvement of the reliability of local electrical systems
 - Reduction of energy costs
 - Reduction of energy demand on local utilities
 - Economic stimulation and development
 - Enhancement of property values, and
 - Enhancement of employment opportunities.

- Sec. 29.49.150, Joint Implementation, any combination of municipalities may agree to jointly implement or administer a program under this chapter, or contract with a third-party. If two or more municipalities jointly administer the program, a public hearing is to be held by the cooperating municipalities sufficient to satisfy the requirements of AS 29.49.060.
- Sec. 29.49.160, Prohibited Acts, states that participation in the program must be voluntary. A municipality that establishes a region under this chapter may not require a real property owner in that region to participate in the assessment program outlined in this chapter in order to issue a permit, license or other municipal authorization, or otherwise compel a property owner in the region to enter into a written contract to repay the financing of a qualified project through contractual assessments.
- Sec. 29.49.900, Definitions, defines terminology included in the chapter.
- Sec. 29.49.995, Short Title, indicates this chapter may be cited as the Municipal Property Assesse Clean Energy Act.

➤ Section 2 sets an immediate effective date.



February 19, 2015

Senator Click Bishop
Senate Community and Regional Affairs Committee
State Capitol, Room 115
Juneau, Alaska 99801

Re: Senate Bill 56- Muni Energy Improvement Assessments/Bonds

Dear Senator Bishop:

Please accept this request for your consideration to schedule Senate Bill 56- Muni Energy Improvement Assessments/Bonds- before the Senate Community and Regional Affairs Committee at your earliest convenience.

The legislation would provide the opportunity for local governments to create a Property Assessed Clean Energy (PACE) financing mechanism. PACE would incentivize energy efficiency improvements to commercial buildings by allowing a local government financing option as part of property tax assessments.

Thirty-two other states have created similar financing structures. Under a PACE program, interested business owners first have their buildings audited to determine potential energy savings. They then apply to traditional lending sources (loan programs, local lenders, etc.) for financing that is repaid through an addition to their property tax assessment that may be in place for up to 20 years. In the Interior, the PACE financing mechanism can incentivize conversion to natural gas.

SB 56 would allow local governments and businesses to opt-in on a voluntary basis to adopt PACE financing mechanisms. Lenders are provided with additional certainty of repayment while business owners are traditionally supportive because it allows them to finance improvements over an extended period of time with low-cost capital.

If you have any questions regarding this bill, please feel free to contact me at 771-3012, or AEA's Energy Policy and Outreach Manager, Emily Ford at 771-3961 or cell 360-2131.

Sincerely,

Sara Fisher-Goad *for*
Executive Director



Ms. Emily Ford
Legislative Coordinator
Alaska Energy Authority
813 West Northern Lights
Anchorage, Alaska 99503

February 26, 2015

Dear Ms. Ford:

On behalf of Renewable Energy Alaska Project (REAP), I am writing to support the PACE financing legislation contained in House Bill 118 and its companion, SB 56. As you know, REAP is a statewide non-profit coalition of over 80 electric utilities, independent power producers and developers, Alaska Native organizations, businesses and NGOs with the goal of increasing renewable energy development and promoting energy efficiency in Alaska.

REAP has been advocating for over two years for the creation of a Publicly Assessed Clean Energy (PACE) program to help Alaska businesses finance retrofits on their buildings to make them more energy efficient. There are currently few state programs aimed at helping commercial buildings become more efficient and this legislation would create another tool to increase the energy efficiency of the state's building stock.

PACE would give business owners the opportunity to *voluntarily* borrow from their local tax assessment district, and then pay the loan back through an additional tax assessment on their property. The program would be revenue neutral for the municipality, and would allow the loan to be attached to the building, rather than the buildings owner.

PACE programs in other states are already providing important benefits including reduction of energy costs, reduction of energy demand on local utilities, enhancement of property values and economic stimulation and development.

Thanks to the Alaska Energy Authority for promoting PACE, and to Governor Walker for introducing this legislation to help Alaska be more efficient, and keep energy dollars circulating in the state's economy.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Rose", written in a cursive style.

Chris Rose
Executive Director

Ms. Emily Ford
Legislative Coordinator
Alaska Energy Authority
813 West Northern Lights
Anchorage, Alaska 99503

Dear Ms. Ford,

The Interior Gas Utility is a municipal utility in the Fairbanks North Star Borough tasked by the borough and the community to deliver "low cost natural gas, to as many people possible, as quickly as possible." As part of that mission, I offer my support on behalf of the Interior Gas Utility for HB 118/SB 56.

The IGU service area incorporates the City of North Pole and areas within the FNSB surrounding the City of Fairbanks. Phase I of the project incorporates downtown North Pole and several commercial properties that would be classified as high demand users. While 40 commercial structures are anticipated to convert to natural gas in Phase I, this accounts for slightly less than 50% of the gas demand for the entire phase.

It is critical that high volume structures convert to natural gas as soon as possible to increase the demand for the project. Currently, no resources are available for commercial and multi-family structures, and the PACE Act will fill that void to assist in more rapid conversions. By the third year of natural gas availability in Phase I, 100% of commercial and 95% of multi-family homes are expected to be using natural gas as their primary heating source, a trend that is supported by the Cardno Entrix Conversions Analysis Report and ENSTAR's rate of conversion in Homer, AK.

The PACE Act eases financial roadblocks from the business community and property owners allowing them to convert to natural gas more rapidly with these financing options. Not only does this legislation provide a way for the larger users of natural gas to convert faster, it stimulates the economic wellbeing of the community, improving air quality and lowering heating costs for residents in the Interior.

It is without reservation that IGU offer to support this legislation to accomplish our mission for the benefit of the state, and specifically the FNSB community.

Sincerely,



Steven Haagenson
General Manager

PO Box 70200
Fairbanks, AK 99707

907 374 4474
interiorgas.com



Fairbanks North Star Borough

Mayor's Office

809 Pioneer Road P.O. Box 71267 Fairbanks, AK 99707-1267 T.(907)459-1300 F. (907)459-1102

March 10, 2015

Ms. Emily Ford
Legislative Coordinator
Alaska Energy Authority
813 W. Northern Lights Blvd.
Anchorage, AK 99503

Dear Ms. Ford

On behalf of the Fairbanks North Star Borough, I am writing to support the Property Assessed Clean Energy Act (PACE financing legislation contained in House Bill 118 and its companion, Senate Bill 56. The Fairbanks North Star Borough is the second largest municipality in the state, and faces some of the highest energy costs in the nation. Our community eagerly awaits delivery of natural gas to our city gates. When it arrives, numerous businesses-as well as home, utilities and government entities- will begin upgrading and replacing their power and heating systems. Additionally, assisting our local businesses to convert to more efficient natural gas energy will help improve our local air quality.

It is precisely for these reasons that I write in support of HB 118 and SB 56.

A well-conceived and executed Property Assessed Clean Energy (PACE) program will help Alaska businesses achieve needed energy retrofits, resulting in greater efficiencies and cost savings-all of which will make our businesses more successful and our economy more secure.

It is my understanding that similar programs in other states have resulted in reduction of energy costs, reduction of energy demand on local utilities, enhancement of property values and economic stimulation and development.

I strongly commend the concept of Property Assessed Clean Energy, and I thank the Administration for their work in bringing this idea forward.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Luke Hopkins', is written over a faint, larger version of the same signature.

Luke Hopkins
Mayor
Fairbanks North Star Borough

Alaska Bankers Association

P.O. Box 241489 • Anchorage, Alaska 99524-1489 • T: 907-261-3525 • F: 907-562-1758

March 16, 2015

The Honorable Click Bishop, Chair
Senate Community and Regional Affairs Committee
Alaska State Capitol
Juneau, AK 99801-1182

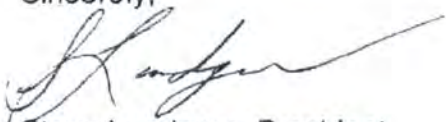
Re: Senate Bill 56 - Municipal Energy Improvement Assessments/Bonds

Dear Senator Bishop:

The Alaska Bankers Association supports economic development initiatives that lower the cost of energy and ensure adequate and reliable deliverability.

In response to the question raised by the Senate Community and Regional Affairs Committee on March 12, the Alaska Bankers Association is not opposed to Senate Bill 56 in its current form, which proposes to establish a commercial Property Assessed Clean Energy (PACE) program in Alaska that requires written consent from the lien holder.

Sincerely,



Steve Lundgren, President
Alaska Bankers Association



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

Department of Environmental
Conservation

DIVISION OF AIR QUALITY
Director's Office

410 Willoughby Avenue, Suite 303
PO Box 111800
Juneau, AK 99811-1800
Main: 907-465-5100
Toll free: 866-241-2805
fax: 907-465-5129
<http://dec.alaska.gov/air/index.htm>

June 23, 2014

U.S. Department of Energy
1000 Independence Ave. SW
Washington, DC 20585

Subject: Support for Alaska Energy Authority Grant Application

To Whom It May Concern:

This letter is written in support of the grant application submitted by the Alaska Energy Authority (AEA) to the Department of Energy (DOE) to support implementation of a Property Assessed Clean Energy (PACE) program in the Fairbanks North Star Borough (FNSB). The FNSB is the 2nd largest metropolitan area in Alaska with over 100,000 people and more than 1,300 privately owned commercial properties currently heating with diesel fuel. The high and unpredictable expense of fossil fuels coupled with our harsh northern climate make the cost of energy a severe burden in the community.

The Interior Energy Project, another energy project being implemented by the state, will expand the availability of natural gas to consumers in the FNSB by 2016. Development of a PACE program can offer an important financing tool to help businesses transition to this less expensive and cleaner burning fuel as soon as possible. The faster the business community is able to convert from diesel to natural gas the sooner residential properties will see the benefits of access to natural gas for space and water heat. The more businesses that sign up for natural gas the better the economics for expanding the distribution system to encompass more residences.

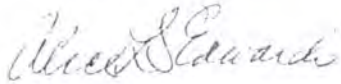
The City of Fairbanks and the City of North Pole, both within the FNSB, are within the EPA-designated fine particulate matter (PM_{2.5}) air quality non-attainment area, meaning they exceed the limit of 35 micrograms/cubic meter for PM_{2.5}. This is a serious concern for public health as well as economic development. Division of Air Quality analysis shows that local emissions from wood stoves, burning distillate oil, industrial sources, and mobile emissions contribute to particulate pollution. Conversion of space heating from diesel to natural gas will improve PM_{2.5} air quality in the FNSB.

In addition to the benefits of reduced heat cost and improved air emissions associated with conversion to natural gas, establishment of a PACE program has the added benefit of creating a tool for financing other types of efficiency measures including lighting and weatherization. Efficiency measures reduce power demand and heating needs that result in less fuel burned and a reduction in PM_{2.5} air pollution.

I encourage the DOE to give favorable consideration to the AEA grant application that will support development of a PACE program in the FNSB. Funds for this effort could be critical in incentivizing businesses to invest in conversion to natural gas in the short run and create a financing mechanism to ease

implementation of additional efficiency measures for years to come. The co-benefits that would result to air quality in the FNSB will help the state and local community to achieve their PM2.5 attainment goals.

Sincerely,

A handwritten signature in cursive script that reads "Alice Edwards".

Alice Edwards
Director



LEADER in All We Do

June 27, 2014

Department of Energy
1000 Independence Ave SW
Washington, DC 20585

Re: Support for Alaska Energy Authority Grant Application

To whom it may concern,

This letter is written in support of the grant application submitted by the Alaska Energy Authority (AEA) to the Department of Energy (DOE) to support implementation of a Property Assessed Clean Energy (PACE) program in the Fairbanks North Star Borough (FNSB).

The FNSB is Alaska's 2nd largest metropolitan area in Alaska with over 100,000 people and more than 1,300 privately owned commercial properties currently heating with diesel fuel. The high and unpredictable expense of fossil fuels, coupled with our harsh northern climate, make the cost of energy a severe burden in our community.

The Interior Energy Project, another energy project being implemented by the state, will expand the availability of natural gas to consumers in the FNSB by 2016. Development of a PACE program can offer an important financing tool to help businesses transition to this less expensive and cleaner burning fuel as soon as possible.

The faster the business community is able to convert from diesel to natural gas the sooner residential properties will see the benefits of access to natural gas for space and water heat. The more businesses that sign up for natural gas the better the economics for expanding the distribution system to encompass more residences.

The City of Fairbanks and the City of North Pole, both within the FNSB, were designated PM2.5 non-attainment areas in 2009, meaning they exceed the limit of 35 micrograms/cubic meter for fine particulate matter. This is a serious concern for public health as well as economic development. The Alaska Division of Air Quality analysis "...shows that local emission from wood stoves, burning distillate oil,

industrial sources, and mobile emissions contribute to particulate pollution.”
Conversion from diesel to natural gas will improve air quality in the FNSB.

Doyon is one of the thirteen Native regional corporations established by Congress under the terms of the Alaska Native Claims Settlement Act (“ANCSA”), Pub. L. No. 92-203, 85 Stat. 688 (1971), as amended. Headquartered in Fairbanks, Doyon has more than 18,500 shareholders, many of whom reside in remote villages with few economic opportunities. Doyon is the largest private landowner in Alaska, with a land entitlement under ANCSA of more than 12.5 million acres. Doyon’s mission is to promote the economic and social well-being of its shareholders and future shareholders, to strengthen its Native way of life, and to protect and enhance its land and resources. Doyon believes this program has the potential to positively impact our shareholders and communities living in our region.

I encourage the DOE to give favorable consideration to the AEA grant application that will support development of a PACE program in the Fairbanks North Star Borough. Funds for this effort could be critical in incentivizing businesses to invest in conversion to natural gas in the short run and create a financing mechanism to ease implementation of additional efficiency measures for years to come.

Sincerely,



Aaron Schutt
President & CEO
Doyon, Limited



SB 56 Property Assessed Clean Energy (PACE)

Emily Ford, energy policy and outreach manager
Senate Community and Regional Affairs Committee
March 12, 2015



What is Commercial PACE?

- PACE was named one of the top 20 “world-changing ideas by Scientific American magazine.”
- Commercial Property Assessed Clean Energy programs (PACE) allows property owners to finance qualifying energy efficiency improvements overtime through a voluntary assessment on the property tax bill.
 - Voluntary participation by municipalities AND commercial property owners
 - Mortgage holder consent is required before applications are approved and assessments are placed
 - Improvements can include lighting upgrades, renewable energy, conversion to natural gas, high-efficiency boilers, and additional energy efficiency improvements
- The repayment obligation transfers with the sale of property

Benefits

- Energy efficiency upgrades are financed with capital secured by a primary lien on the property, lower-interest capital and favorable repayment terms can be raised from the private sector
- Allows for longer repayment periods allowing the building owner to recognize immediate operating savings while repaying the debt
- Can use traditional lending sources
- In Alaska, provides consistency with state energy policy, energy efficiency and renewable energy goals

Creating a PACE Program

- 31 states have authorized PACE programs
- State legislatures must provide authority for local governments to establish and operate commercial PACE programs
- Municipalities to create the program and select financing models
- Resources: U.S. Department of Energy, PaceNow.org, C-Pace.com

Potential PACE Models

- **Local-government driven**
 - Either property assessment office or a PACE office used as interface with commercial property owners and potential lenders
 - Bond financing
- **Private-sector driven**
 - Third-party administrator under contract with local government
 - Private financing
- **Hybrid model**
 - Smaller local governments can contract with other communities or regional organizations to administer the program
 - Identify all potential funding sources (bonds, revolving loan funds, private capital)

Senate Bill 56

- SB 56 (HB 118): Muni Energy Improvement Assessments/Bonds
- Authorizing legislation for local governments who collect property taxes to choose to create a PACE program and allow commercial property owners to opt-in
- 24 eligible local governments with a total population of 639,314

Senate Bill 56

- Section 1 amends AS 29 by adding a new chapter:
AS 29.49: Municipal Property Assessed Clean Energy Act
- AS 29.49.020 Would allow for a property tax assessment to be added for financing of qualified projects on real property.
 - Improvements may not be made to vacant lots or property undergoing development at the time of assessment
 - Not to finance purchase of temporary products or anything not permanently fixed to real property
- AS 29.49.30 Would require a written contract between the local government and record owner of the real property

Senate Bill 56

- AS 29.49.040 Establishes the program
 - Local government may enter into a contract with a property owner to impose an assessment. Financing can be provided by the municipality or a third-party.
 - If third-party financing is used, the municipality, third-party financier and real property owner must all enter into a contract
 - The assessment imposed may cover some costs for the commercial property owner, including permit and lenders fees, administration, and project development and engineering costs
- AS 29.49.050 Designates the Eligible Region
 - The municipality's governing body may designate one or more area(s) of the municipality (within its jurisdiction) as a PACE-eligible region(s)

Senate Bill 56

- AS 29.49.060 Defines the Procedure to Create the Program
 - If the municipality chooses to create a PACE program the governing body of a municipality must (in order):
 - 1) Adopt a resolution of intent that
 - shows that providing the PACE program serves a valid public purpose
 - includes a statement the municipality intends to make PACE available to property owners
 - includes a description of qualified projects
 - describes the boundaries of the region
 - describes the available financing for qualified projects (i.e. bonds, local lenders, etc.)
 - describes the municipal debt servicing procedures if third-party financing is used
 - describes how the public can access the program report required by AS 29.29.070
 - identifies public contacts regarding the collection of the proposed contractual assessments

Senate Bill 56

- AS 29.49.060 Defines the Procedure to Create the Program
 - The governing body of a municipality must:
 - 2) hold a public hearing with opportunity for public comment
 - 3) adopt a resolution establishing the program, including terms consistent with the publicly-available program report required by AS 29.49.070
 - the description of each aspect of the program can only be amended after another public hearing
 - The program can only be amended by resolution
 - A municipality may hire and set compensation for a program administrator, staff or contract for professional services
 - A municipality may impose fees to offset the costs of administering the program, to include an application fee and/or a component of the interest rate

Senate Bill 56

- AS 29.49.070 Requires a Publicly-Available Program Report
 - The report must include:
 - a map of the program region boundaries
 - a form contract between the municipality and the property owner that specifies the terms of the assessment and any financing, including third-party and municipal
 - if appropriate a form contract between the municipalities and the third-party financier regarding the servicing of the debt through assessments
 - a description of qualified projects
 - a plan for ensuring sufficient capital
 - if bonds are used the report must include:
 - a maximum aggregate annual dollar amount for financing
 - a method for ranking requests from property owners
 - a method for determining the interest rate and maximum amount of an assessment
 - a method for ensuring the repayment period does not exceed the useful life of the qualified project

Senate Bill 56

- AS 29.49.070 Requires a Publicly-Available Program Report (continued)
 - The report must include:
 - a description of the application process and eligibility requirements
 - a method for ensuring qualified applicants can demonstrate financial ability to fulfill financial obligations and verify the applicant is the legal owner of the property, is current on mortgage and property taxes and is not insolvent or in bankruptcy
 - an explanation of the assessment and collection process
 - an explanation of the lender notice requirement provided by AS 29.40.080
 - an explanation of the review requirement provided by AS 29.49.090
 - a description of the marketing and education services to be provided
 - a description of quality assurance and antifraud measures
 - collection procedures
 - a requirement for an appropriate ratio between the assessment and property value
 - The report must be available online and at the municipal offices

Senate Bill 56

- AS 29.49.080 Notice to Mortgage Holder Required
- AS 29.49.090 Review Required
 - A third-party baseline energy audit and projected energy savings are required
 - Once a qualified project is complete, the municipality shall obtain third-party verification that the project was properly completed and operating as intended
- AS 29.49.100 Direct Acquisition by Owner
 - The property owner may be authorized to purchase directly the related equipment and materials or contract directly, including through lease, power purchase agreement or other service contract for the installation or modification of a qualified improvement

Senate Bill 56

- AS 29.49.110 Contractual Assessment must be Noticed
 - Written notice of each contractual assessment shall be filed by the municipality in the real property records, including the assessment amount, legal description of the property, name of each property owner and the reference to the statutory assessment lien provided under this chapter
- AS 29.49.210 Contractual Assessments and any Interest or Penalties are Primary Liens on the Property
 - exceptions are municipal tax liens and special assessments
 - enforcement provided in AS 29.45.320-470
 - contractual assessment liens stay with the land and not eliminated by foreclosure
 - penalties and interest may be added to delinquent installments, as provided in AS. 45.250
 - municipalities may recover cost and expenses, including attorney fees to collect a delinquent installment
- AS 29.49.130 Collection of Assessments
 - Municipalities may contract with another governing body of another taxing unit to perform assessments collections

Senate Bill 56

- AS 29.49.140 Municipalities may Issue Bonds or Notes to Finance Qualified Projects
 - These may **not** be general obligations bonds and must be secured by one or more of the following:
 - payments of the contractual assessments
 - municipal reserves from grants, bonds, or net proceeds and other lawfully available funds
 - municipal bond insurance, lines of credit, public or private guarantees, standby bond purchase agreements, collateral assignments, mortgages, or available means of providing credit support or liquidity
 - any other funds lawfully available for purposes consistent with this chapter
 - A municipal pledge of assessments, funds, or contractual rights in connection with the issuance of bonds is a first lien valid and binding against any other person, with or without notice
 - Bonds or notes issued must further an essential public and governmental purpose, including reducing energy costs, improving electrical reliability, reduction of energy demand on utilities, economic development, employment and enhancement of property values

Senate Bill 56

- **AS 29.49.150 Joint Implementation**
 - Any combination of municipalities may agree to jointly implement or administer a program or contract with a third party. A public hearing as outlined in AS 29.49.060 is required.
- **AS 29.49.160 Prohibited Acts**
 - A municipality that establishes a PACE region may not compel a property owner to use PACE or, make any permit, license, or authorization contingent on a property owner using PACE.
- **AS 29.49.900 Adds Definitions of Program, Qualified Improvement, Qualified Project, Real Property and Region.**
- **AS 29.49.995 Adds the Short Title “Municipal Property Assessed Clean Energy Act.”**
- **Section 2 Establishes an Immediate Effective Date**

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