

**SB**

**56**

<TARGET><BILL>SB 56</BILL><SUBJECT>SB  
56</SUBJECT><COMM>SFIN29</COMM></TARGET>

Senate Bill 56- Muni Energy Improvement Assessments/Bonds

**The Governor's transmittal letter dated February 17, 2015, follows:**

Dear Speaker Chenault:

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,  
/s/  
Bill Walker  
Governor



## 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.



## Proposed CS Senate Bill 56 Fin ver H - Muni Energy Improvement Assessments/Bonds

### DETAILED SECTIONAL ANALYSIS

- Section 1: Amends existing AS 29.10.200 to add PACE financing to the list of items that Home Rule municipalities are allowed engage in.
- Section 2: Amends AS 29.35.200(b) to add PACE financing to the list of items that first class boroughs are allowed to engage in on an area wide basis.
- Section 3: Amends AS 29.35.210(a) to add PACE financing to the list of items that second class boroughs are allowed to engage in on a non-area wide basis.
- Section 4: Amends AS 29.35.210(b) to add PACE financing to the list of items that second class boroughs are allowed to engage in on an area wide basis.
- Section 5: Amends AS 29 by adding a new chapter 49. 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 devises 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

## Propose CS Senate Bill 56 Fin ver H Sectional Analysis

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 an ordinance 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;
  - 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.

## Propose CS Senate Bill 56 Fin ver H Sectional Analysis

- 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;
  - A form contract, if third-party financing is used, that must be included regarding the servicing of the debt through assessments;
  - A description of projects may qualify and a plan for ensuring sufficient capital for third-party financing;
  - If municipal bond financing is used:
    - 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

## Propose CS Senate Bill 56 Fin ver H Sectional Analysis

- 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.

## Propose CS Senate Bill 56 Fin ver H Sectional Analysis

- 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

## Propose CS Senate Bill 56 Fin ver H Sectional Analysis

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. 29.49.890, Allows the proposed PACE provisions to be available to home rule and general law municipalities.
- 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 6: Sets an immediate effective date.



## SB 56 Property Assessed Clean Energy (PACE)

Gene Therriault, director energy policy and outreach  
Senate Finance Committee  
April 9, 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](http://PaceNow.org), [C-Pace.com](http://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 commercial 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 29.49.070
      - 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 29.49.080
    - 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 29.49.120 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. 29.45.250
  - 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

[AKEnergyAuthority.org](http://AKEnergyAuthority.org)



## **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

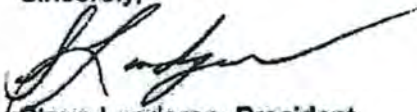
Re: Senate Bill 56 - Municipal Energy Improvement Assessments/Bonds

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



## CITY OF FAIRBANKS

John Eberhart, Mayor

800 CUSHMAN STREET  
FAIRBANKS, ALASKA 99701-4615

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March 11, 2015

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

**Re: Senate Bill 56 and House Bill 118 – City of Fairbanks Support**

Dear Ms. Ford:

I am writing to express the City of Fairbanks' support for the proposed legislation for PACE financing as detailed in Senate Bill 56 and House Bill 1118.

In the City of Fairbanks, energy efficiency is key to the financial viability of businesses, given our current high rates for heating and fuel costs. The proposed creation of a Property Assessed Clean Energy (PACE) program to help Alaska businesses finance retrofits on their buildings to make them more energy efficient would be a boon to our local businesses. 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 businesses.

PACE would give business owners the opportunity to 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 building's owner. PACE programs in other states provide important benefits including reduction of energy costs and enhancement of property values and economic stimulation and development.

This opportunity for local businesses in the Golden Heart community is appreciated, and I thank the Alaska Energy Authority for supporting this program. I also applaud Governor Walker for introducing this legislation to help the City of Fairbanks become more energy efficient, while also bringing operating costs into a more reasonable range of expenditure.

Please encourage your colleagues in the Senate and House of Representatives to support this legislation.

Yours sincerely,

A handwritten signature in black ink, appearing to read "John Eberhart", is written over a horizontal line.

Mayor John Eberhart

Cc: City Council



# 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 black ink, appearing to read 'Luke Hopkins'.

Luke Hopkins  
Mayor  
Fairbanks North Star Borough

March 3, 2015

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

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 Property 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,



Chris Rose  
Executive Director



April 8, 2015

Emily Ford  
Energy Policy and Outreach Manager  
Alaska Energy Authority  
813 W Northern Lights Blvd, Anchorage, AK 99503  
Phone: 907-771-3961

[eford@aidea.org](mailto:eford@aidea.org)

RE: Support for HB 118 - Property Assessed Clean Energy Act and SB56

My work insulating and replacing lights in buildings I own had a quick payback. There were immediate benefits in terms of efficient use of the buildings and 4-5 year paybacks in the direct costs. I have been fortunate that my small business was able to pay for this work out-of-pocket. Many small businesses (and that's most businesses in Alaska), don't have the cash flow to take advantage of the tremendous benefits of modern lights and insulation. Anything that can help with that is good for business and good for Alaska.

There are some energy efficiency projects that have long payback times that may exceed the time a small business is likely to own a building. The feature of this act that ties the reimbursement to the building instead of the owner should encourage property owners to get more ambitious in the efficiency projects they pursue.

The PACE routine would be a nice tool for any city that wants to encourage energy efficiency.

Thank you,

A handwritten signature in black ink, appearing to read "John Weddleton". The signature is stylized and fluid.

John Weddleton  
President





March 17, 2016

Senator Anna MacKinnon, Co-chair  
Senator Pete Kelly, Co-chair  
Senate Finance Committee  
State Capital Building  
Juneau, Alaska

RE: Support for SB 56 – Municipal Energy Improvement Assessment Bonds

Dear Senators MacKinnon and Kelley:

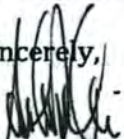
The Alaska State Home Building Association is a statewide trade association dedicated to maintaining high standards in the residential building industry. We are a member-driven organization that encourages good building practices that are sound and ethical, and we strive to promote public policy and legislation that helps to achieve these same goals.

Both our Board of Directors and our Legislative Committee have reviewed and discussed SB 56, a bill establishing a municipal property assessed energy program. We view the property-assessed clean energy model as an innovative mechanism for financing energy efficiency and renewable energy improvements. The current form of the bill empowers a local government to establish an assessment on property to assist in the financing and development of energy efficiency in commercial buildings.

We have also reviewed the position of non-objection from the Alaska Banker's Association. This is based on the program requiring written consent from the lien holder. This is an important aspect within the bill that should remain intact.

Last, we would encourage the legislature to continue to support the development of energy efficiency standards in our state. Alaska is a leading state in our nation for recognizing and establishing some of the best technologies and techniques energy efficient building practices. Our organization and members are advocates for strengthening building standards and codes.

Thank you for this opportunity to comment.

Sincerely,  


Andre Spinelli, President  
Alaska State Home Building Association



# Municipality of Anchorage

Office of the Mayor

Ethan Berkowitz, Mayor

April 5, 2016

Senator Anna MacKinnon  
State Capitol, Room 516  
Juneau, Alaska 99801

Senator Pete Kelly  
State Capitol, Room 518  
Juneau, Alaska 99801

Dear Co-Chairs MacKinnon and Kelly,

I write in support of Senate Bill 56, adopting the Municipal Property Assessed Clean Energy (PACE) Act, which allows commercial property owners to finance qualifying energy efficiency improvements - through voluntary property tax assessments.

PACE legislation opens the door for local governments to foster economic growth and supports local economies through partnerships with banks and contractors. We have identified \$19 million in savings from potential building upgrades within the Municipality of Anchorage. SB 56 requires zero state funds to implement and participation is voluntary.

PACE is a proven piece of legislation, passed in thirty-five other states.

Sincerely,

Ethan Berkowitz



February 25, 2016

The Honorable Steve Thompson, Co-chair  
The Honorable Mark Neuman, Co-chair  
House Finance Committee  
State Capital Building  
Juneau, Alaska

RE: Support for HB118 – Municipal Energy Improvement Assessment Bonds

Dear Representatives Thompson and Neuman:

The Alaska State Home Building Association is a statewide trade association dedicated to maintaining high standards in the residential building industry. We are a member-driven organization that encourages good building practices that are sound and ethical, and we strive to promote public policy and legislation that helps to achieve these same goals.

Both our Board of Directors and our Legislative Committee have reviewed and discussed HB118, a bill establishing a municipal property assessed energy program. We view the property-assessed clean energy model as an innovative mechanism for financing energy efficiency and renewable energy improvements. The current form of the bill empowers a local government to establish an assessment on property to assist in the financing and development of energy efficiency in commercial buildings.

We have also reviewed the position of non-objection from the Alaska Banker's Association. This is based on the program requiring written consent from the lien holder. This is an important aspect within the bill that should remain intact.

Last, we would encourage the legislature to continue to support the development of energy efficiency standards in our state. Alaska is a leading state in our nation for recognizing and establishing some of the best technologies and techniques energy efficient building practices. Our organization and members are advocates for strengthening building standards and codes.

Thank you for this opportunity to comment.

Sincerely,

A handwritten signature in black ink, appearing to read "Andre Spinelli".

Andre Spinelli, President  
Alaska State Home Building Association

# Demystifying PACE Finance

## What is PACE?

Property Assessed Clean Energy (PACE) is a local government mechanism intended to facilitate financing for energy efficiency upgrades and renewable energy projects at commercial properties. It is designed to address the challenges specific to efficiency and renewable projects by offering financing that requires no money down, allows longer loan terms, and fixed low interest rates.

A key differentiator of PACE financing is that the building is the collateral, not a person or particular business operation. A PACE loan assumes a senior obligation on an improved building and is repaid through a voluntary assessment added to the specific property tax bill. As a result, PACE financing does not require a personal guarantee or a high credit rating for the building owner or the business operating at the location. In addition to increased access to financing, this structure has other benefits for the building owner. For example, PACE repayments become an addition to the tax billing of a property allowing the costs of energy efficiency improvements and renewable projects to more easily pass through to the building occupants. This ability addresses a potential misalignment of interests whereby building owners pay for property improvements, but energy savings flow to the tenants in the form of lower monthly energy bills.

## How does PACE work?

State legislatures enable local governments to establish PACE programs by ordinance to accomplish a specific goal or objective, such as incentivizing energy efficiency as a means of lowering business energy costs and consumption, promoting job creation and improving air quality. Once a local PACE program is created, the local government may issue revenue bonds, work with local lenders or access other funds to create a financing pool for PACE energy efficiency and renewable energy projects. Funds are then loaned to businesses for the energy efficiency retrofits and renewables projects that an energy audit has shown make economic sense for the specific building.

Once a local program is established and funds are available, PACE becomes a voluntary option for commercial property owners to use. An interested building owner must be current on property taxes and if applicable, current on their mortgage payments.

## When is PACE a good fit?

PACE is an innovative approach to assist building owners in paying for the often high-up front cost of energy efficiency projects. PACE is available for enactment by local governments in states that have authorized the mechanism. Since PACE repayments attach to the tax bill for a specific commercial property, it will only be available in municipalities that levy a property tax.

PACE was partly conceived as an incentive for building owners who buy and sell commercial buildings frequently to make beneficial energy efficiency and conservation improvements. Since the energy efficiency or conservation improvements and equipment are funded by an assessment on the property itself, the repayment obligation transfers with the building and does not need to be unwound at the time of a property sale.

Many of the buildings that would benefit the most from improvements are owned by individuals that may not have the ability to finance efficiency and conservation projects through traditional methods. As a result, good buildings improve and stressed buildings become less efficient over time. PACE provides an opportunity for building owners with limited access to capital to secure financing they need to reduce the energy consumption and costs of their buildings.

House Bill 118 and Senate Bill 56 propose to authorize PACE financing in Alaska. For more information please contact Emily Ford (AEA) or Gene Therriault (AIDEA) at 907-771-3000.



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## ALASKA MUNICIPAL LEAGUE

### RESOLUTION #2016-09

#### **A RESOLUTION SUPPORTING THE PASSAGE OF COMMERCIAL PROPERTY ASSESSED CLEAN ENERGY (PACE) LEGISLATION AS A MEANS OF OFFERING A LOCAL OPTION FOR MUNICIPALITIES TO USE, IN ORDER TO ENCOURAGE ENERGY EFFICIENCY IMPROVEMENTS TO AND RENEWABLE ENERGY DEVELOPMENT ON COMMERCIAL PROPERTIES**

**WHEREAS**, Property Assessed Clean Energy (PACE) is a means of financing energy efficiency upgrades or renewable energy installations for commercial buildings; and

**WHEREAS**, the Alaska Energy Authority, Commercial Building Energy Audit program indicates that businesses can achieve annual energy savings of approximately 30% by implementing suggested energy efficiency improvements; and

**WHEREAS**, PACE statutes authorize municipalities, with property tax authority, to work with private sector lenders to provide upfront financing to property owners for qualified projects; and

**WHEREAS**, PACE repayments are collected through placement of a voluntary assessment on a property's annual real-estate tax bill; and

**WHEREAS**, the term of PACE financing may extend up to 20 years, resulting in energy savings that exceed the amount of the assessment payment producing immediate positive cash flow; and

**WHEREAS**, PACE legislation for commercial property has been adopted in 29 states and the District of Columbia; and

**WHEREAS**, commercial PACE is now available in more than 1,000 municipalities in the U.S. outside of Alaska; and

**WHEREAS**, use of PACE in Alaska may facilitate access to private sector capital or low-cost federal funds to assist with commercial property energy improvements; and

**WHEREAS**, PACE legislation was introduced in the Alaska House of Representatives (HB 118) and the Alaska Senate (SB56) in 2015; and

**WHEREAS**, HB 118 and SB 56 would create a local option for Alaska municipalities with property tax authority to use if local elected officials believe PACE financing would be beneficial in their communities; and

**WHEREAS**, HB 118 progressed to the House Finance Committee and SB 56 progressed to the Senate Finance Committee during the 2015 regular legislative session; and

**WHEREAS**, passage of PACE legislation in Alaska could provide an important tool that assists in achieving the energy efficiency and renewable energy goals established in state law in 2010.

**NOW, THEREFORE BE IT RESOLVED** that the Alaska Municipal League supports the passage of commercial Property Assessed Clean Energy (PACE) legislation as a means of offering a local option for municipalities to use to encourage energy efficiency improvements to, and renewable energy development on, commercial properties; and

**LET IT BE FURTHER RESOLVED** that the Alaska Municipal League supports passage of SB 56 or HB 118 as a means of achieving this desired action.

**PASSED AND APPROVED** by the Alaska Municipal League on this 20<sup>th</sup> day of November, 2015.



Signed: \_\_\_\_\_  
Bob Harcharek, President, Alaska Municipal League



Attest: \_\_\_\_\_  
Kathie Wasserman, Executive Director, Alaska Municipal League