

HB

80

**<TARGET><BILL>HB 80</BILL><SUBJECT>HB
80</SUBJECT><COMM>HCRA30</COMM></TARGET>**

Representative Adam Wool

Alaska State Legislature • District 5 Fairbanks



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

Recent temperatures across Alaska have reinforced the need to continue to encourage energy efficiency improvements and utilization of alternative energy sources as a means of lowering annual energy costs. Passage of HB 80, An Act adopting the Municipal Property Assessed Clean Energy Act will allow local governments access to a voluntarily financing mechanism that can incentivize and assist commercial property owners to make energy improvements.

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

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

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

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

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

Fiscal Note

State of Alaska
2017 Legislative Session

Bill Version:	CSHB 80(ENE)
Fiscal Note Number:	1
(H) Publish Date:	2/3/2017

Identifier: HB080-DCCED-AEA-01-25-17
 Title: MUNI ENERGY
 IMPROVEMNT:ASSESSMNTS/BONDS
 Sponsor: WOOL
 Requester: (H) ENE

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)

	FY2018 Appropriation Requested	Included in Governor's FY2018 Request	Out-Year Cost Estimates					
			FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
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

None								
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2017) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2018) 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:

Not applicable; initial version

Prepared By: Michael Lamb	Phone: (907)771-3009
Division: Alaska Energy Authority	Date: 01/25/2017 01:00 PM
Approved By: Catherine Reardon, Director	Date: 01/26/17
Agency: Division of Administrative Services, DCCED	

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2017 LEGISLATIVE SESSION**Analysis**

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-three other states have created similar financing structures. Under a PACE program, interested business owners first have their buildings audited to determine potential energy savings. Then, they can apply for financing, including from traditional lending sources (loan programs, local lenders, etc.), that is repaid through an addition to their property tax assessment that may be in place for up to 20 years.

This legislation 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.

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

Representative Adam Wool

Alaska State Legislature • District 5 Fairbanks



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SECTIONAL ANALYSIS

HB 80 - Commercial Property Assessed Clean Energy Act

- Sec. 1.** Adds C-PACE financing to powers of Home Rule municipalities.
- Sec. 2.** Adds C-PACE financing to powers of First Class Boroughs.
- Sec. 3.** Adds C-PACE financing to powers of Second Class Boroughs on a nonareawide basis.
- Sec. 4.** Adds C-PACE financing to powers of Second Class Boroughs on an areawide basis.
- Sec. 5.** Creates a new chapter (Chapter 55) of law under Title 29 – Municipal Government which establishes the Municipal Property Assessed Clean Energy Act, sets the requirements for establishing the program:
- (b)(1) Adopt a resolution of intent with findings, intent, description of eligibility of property owners and projects, repayment, third-party financing, municipal debt servicing procedures for third-party financing.
 - (2) Provide a notice of the report regarding assessment program with location of the report, time and place of public hearing, name of local administrator of program, and name of the assessor.
 - (3) Hold a public hearing taking public comment.
 - (4) Adopt an ordinance establishing the program and the terms of the program.
 - (c) A municipality may hire a program director or contract for professional services to administer the program.
 - (d) A municipality may set an application fee, an interest rate, or a combination of both to offset costs of administrating the program.

Sec. 29.55.105. (a) Allows for an assessment to be imposed to repay the financing of qualified projects on commercial real property in the municipality that adopts the program.

- (b) All parties to the loan must have a written contract.
- (c) Identifies qualifying costs.
- (d) 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.
- (e) Provides that a municipality can create programs in more than one region of the municipality.

Sec. 29.55.110. To create a program a municipality must prepare a report with the following items:

- (a)
 - (1) A map showing the boundaries of each region of the municipality in the program.
 - (2) A form for written contracts between municipality and property owner.
 - (3) A form for written contracts between the municipality and third-party financiers.
 - (4) A description of qualified projects.
 - (5) A plan ensuring third-party financing sources(s) and, if applicable, raising capital for municipal funding (such as bonding).
 - (6) Setting perimeters for issuance of bonds.
 - (7) Justifying the period of assessment.
 - (8) Description of application process and eligibility for funding.
 - (9) Solvency requirements for applicant.
 - (10) Process municipality will use to assess the property and collect assessments.
 - (11) Method of notice to mortgage holder required for participation.
 - (12) Method of review by third party.
 - (13) Description of marketing and participant education provided by the municipality.
 - (14) Description of quality assurance and antifraud measures.
- (b) The report will be made available on the Internet website of the municipality and at the primary administrative office of the municipality.

Sec. 29.55.115. Requires the municipality to give 30-day notice to any mortgage holder on the property and obtain written consent from them to enter into a written contract with the property owner.

Sec. 29.55.120. Requires a review from an independent third party of the baseline conditions, savings, and verification of completion of project.

Sec. 29.55.125. Allows property owner to purchase equipment and materials directly; and contract directly for services.

Sec. 29.55.130. Requires the municipality to record in the appropriate recording district details of a C-PACE assessment.

Sec. 29.55.135.

(a) C-PACE assessments are paramount to all other liens except municipal tax liens and other special assessments.

(b) Assessment liens run with the property and remaining balances are not eliminated by foreclosure.

(c) Penalties and interest can be added to delinquent installments.

(d) Allows municipalities to recover costs and expenses of a lawsuit to collect delinquent PACE assessments.

Sec. 29.55.140. Allows a municipality to issue bonds or notes to finance PACE projects.

Sec. 29.55.145. Allows a municipality to enter into an agreement with a third party or one or more municipalities to administer a C-PACE program.

Sec. 29.55.150. A municipality may not coerce a property owner by making the issuance of a permit, license, or other authorizations from the municipality contingent on that property owner entering into a PACE contract.

Sec. 29.55.155. Applicability section.

Sec. 29.55.160. Definitions.

Sec. 29.55.165. Short title.

Sec. 6. Immediate effective date.



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February 3, 2017

The Honorable Adam Wool
Representative
State Capitol Room 412
Juneau, Alaska 99801

Dear Representative Wool,

Alaska Power Association supports House Bill 80, which would allow municipalities to voluntarily establish Property Assessed Clean Energy (PACE) programs for commercial building owners to use for making energy efficiency improvements.

Through a PACE program, building owners have access to low-interest financing for energy improvement projects since the loan is paid through property tax assessment. This gives lenders more confidence in the loan's repayment, thereby lowering costs.

Like other organizations that support this bill, we appreciate the PACE program being voluntary. Municipalities would have the option to decide if the program is beneficial for their communities.

We urge the committees that review HB 80 to move the bill swiftly so the House and Senate can consider the bill in the near future.

Alaska Power Association is the statewide trade association representing electric utilities in Alaska. Our members provide power to a half million people from Barrow to Unalaska, across the Interior and Southcentral, and down the Inside Passage.

Sincerely,

Crystal Enkvist
Executive Director

Commercial Property Assessed Clean Energy (C-PACE)

Sean Skaling, Asst. Executive Director
& Energy Policy Director
Alaska Energy Authority

Gene Therriault, Energy Policy Assistant
AEA/AIDEA

House Community and Regional Affairs
Committee

February 7, 2017



www.akenergyauthority.org



Commercial Property Assessed Clean Energy

C-PACE is a financing mechanism for cost-effective energy improvements to commercial buildings.

Energy improvement loans are repaid through a separate, voluntary line on the property tax bill.

C-PACE Scenario



How C-PACE Works

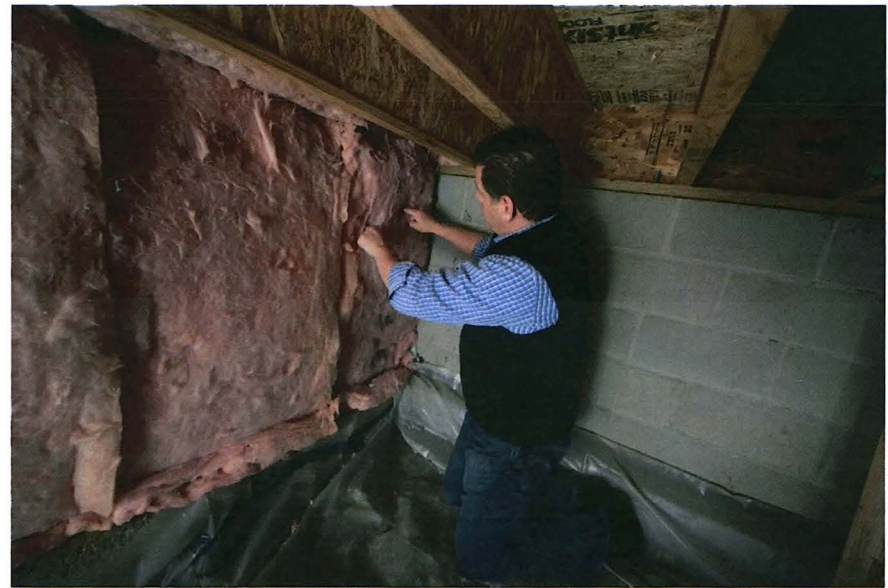
- VOLUNTARY
- Long-term financing
- Attractive loan terms
- Less risk
- Positive cash flow
- Seamless transfer if building sold
- Repayment attached to property



C-PACE Eligible Improvements

Energy efficiency

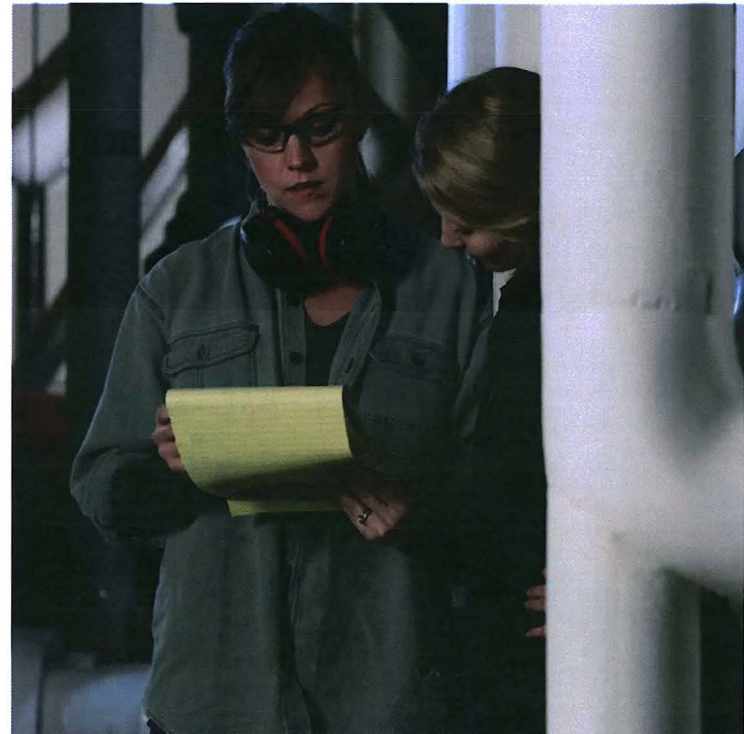
- Heating/cooling system
- Lighting
- Controls
- Building envelope/insulation
- Motors/pumps



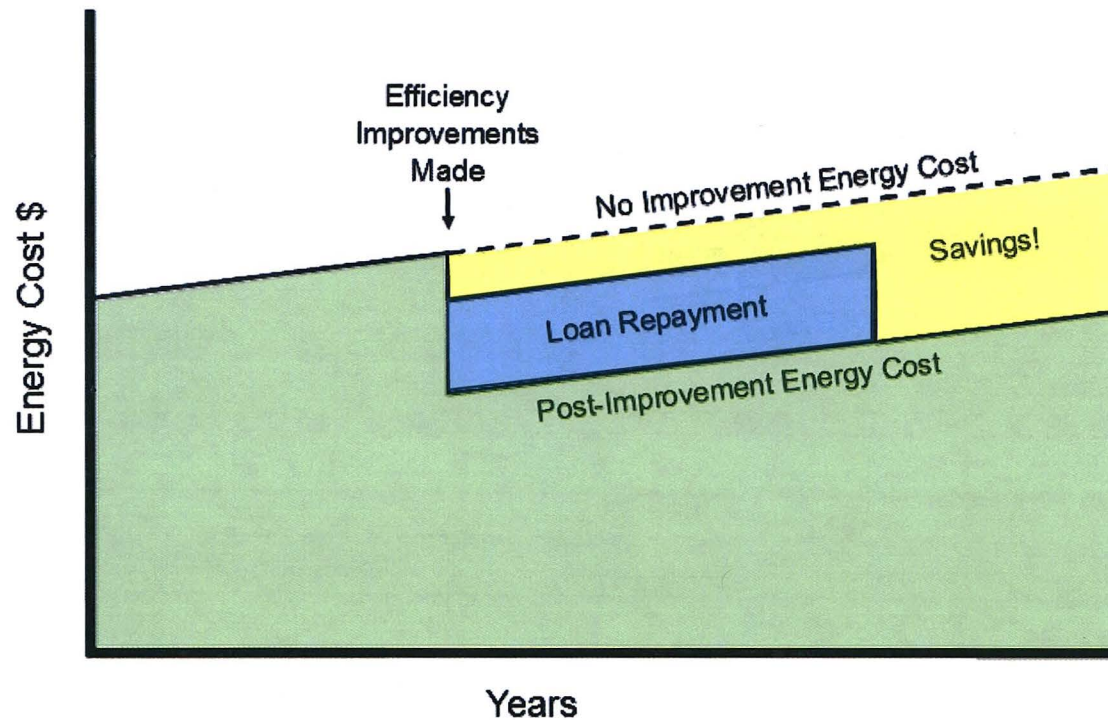
C-PACE Eligible Improvements

Alternative energy

- Heat pumps
- Solar
- Fuel switching with efficiency

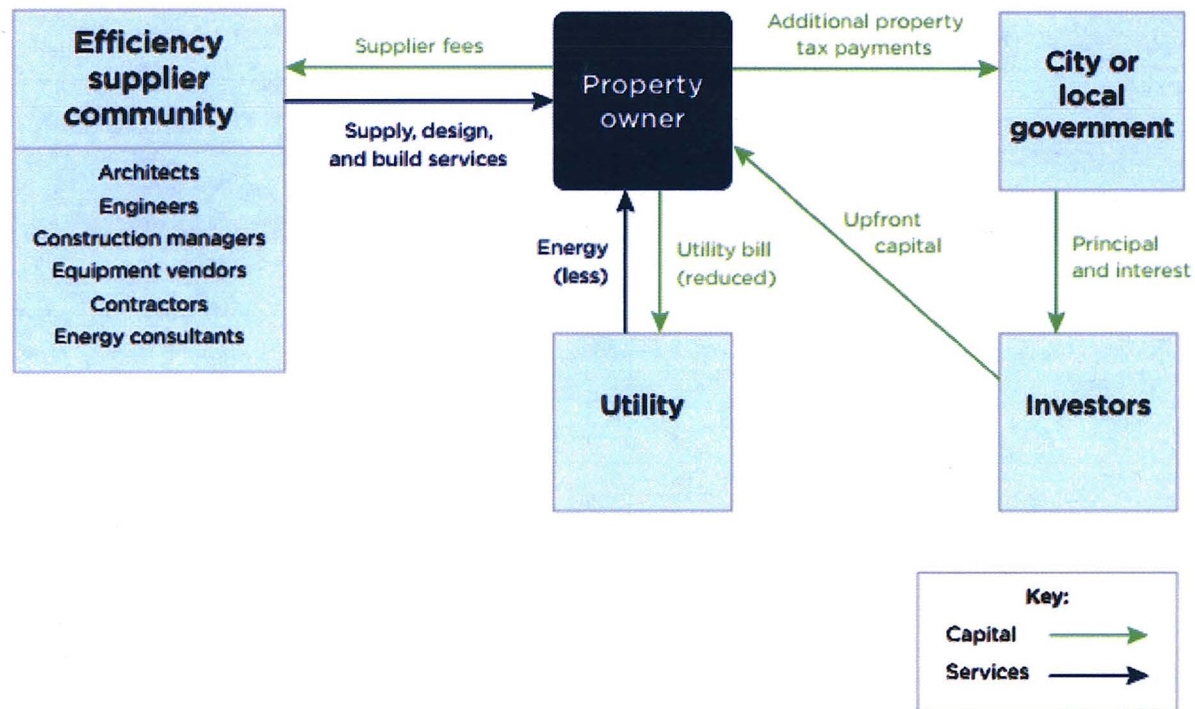


Cash Flow from Energy Improvements

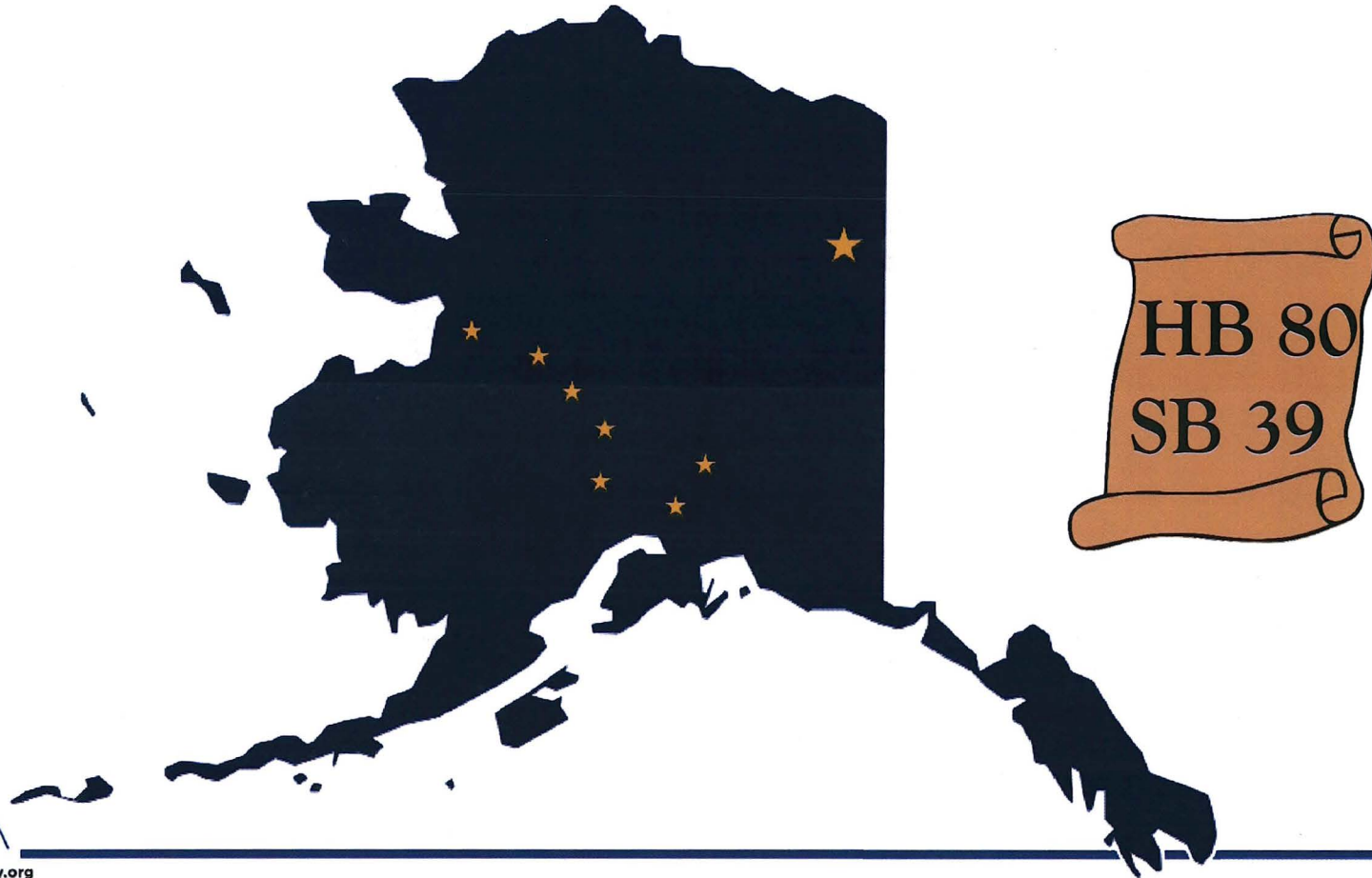


PACE: How Loan is Repaid

Property Assessed Clean Energy (PACE)—Open Market



Time to Add Alaska to the Map



C-PACE is a Win-Win-Win...

- Property owners
- Lenders
- Contractors, vendors
- Energy auditors
- Alaska economy



Easy Win for Alaska

- Fully vetted last session
- Strong support
- Completely voluntary
- No cost to State
- Helps local and state economy

Financing Options

- Bank loan
- Muni revenue bond
- Energy Efficiency and Conservation Loan Program (EECLP)
- Rural Energy Savings Program (RESP)
- Other federal sources



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AEA's mission: Reduce the cost of energy in Alaska.



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