

New York State Passes PACE Finance Enabling Legislation

Legislation will allow for municipalities to dramatically accelerate the energy retrofitting of New York State's buildings and homes

ALBANY, N.Y., Nov. 17 /PRNewswire-USNewswire/ -- Last evening the New York State legislature passed a bill that authorizes municipalities to establish sustainable energy programs that will finance the installation of renewable energy systems and energy efficiency improvements across the state. These programs will make use of a new form of energy finance, known as Property Assessed Clean Energy or "PACE." PACE programs eliminate the upfront cost for energy improvements by allowing property owners to pay for the improvements over 15-20 years through an increase in their annual property taxes. PACE programs are a recent innovation in finance and have emerged nationwide over the past year during which time 15 states have passed enabling legislation.

"PACE finance can help accelerate deep building retrofits in New York's dense cities, energy efficiency improvements in the suburban housing stock and colder upstate climate, and both efficiency and renewable energy power improvements across the commercial real estate sector," said Jeffrey Tannenbaum, founder of PACENOW.org and on behalf of the Fir Tree Philanthropies. He added, "New York now has a potential financing structure that can help reduce energy bills, and carbon emissions while creating long term job opportunities in the clean energy space."

Representative Steve Israel (NY 2nd District) stated, "I am thankful that Governor Paterson and the State Legislature see the potential for PACE programs in New York and I look forward to working with our local communities to launch PACE bond pilot programs across New York."

Governor Paterson said, "Now, thanks to the leadership of President Obama and Congressman Israel, the federal government is offering programs that encourage the use of PACE loan programs ... I want to thank the Legislature for recognizing this opportunity and for agreeing to pass this critical legislation."

Ashok Gupta, Director of Energy Policy for the Natural Resources Defense Council, stated, "PACE is a powerful tool for advancing energy efficiency retrofits, creating badly needed jobs and reducing global warming pollution. New York has taken an important first step on PACE and we look forward to working with the Legislature and the Governor to quickly expand the scope of this bill beyond PACE programs relying on federal assistance."

"New York State can now tap critical federal dollars to create much-needed jobs with PACE programs," said Jack D. Hidary, Chairman of Americans for Clean Energy and one of the leaders of the PACENOW coalition. He added, "PACE will put more people to work and will bring energy efficiency and solar to buildings across the state with loans that make it easy for owners to pay for this cost-reducing work."

The PACENOW coalition includes the following leading companies, foundations and governmental organizations: Alliance to Save Energy; City of Annapolis, MD; Apollo Alliance; Association of Bay Area Governments; City of Berkeley, CA; Bipartisan Policy Center; County of Boulder, CO; California Energy Commission; Center for American Progress; Climate Communities; Clinton Global Initiative; Fir Tree Philanthropies; Jack D. Hidary Foundation; Johnson Controls Inc.; Jones Lang LaSalle; Living Cities; County of Montgomery, MD; National Association of Real Estate Investment Trusts (NAREIT); Natural Resources Defense Council; PACENOW.org; Polyiso Insulation Manufacturers Association; Real Estate Roundtable; Renewable and Appropriate Energy Laboratory; Renewable Funding LLC; Serrafix Corp; Solar Electric Industries Association; County of San Diego, CA; City of San Jose, CA; City of Sonoma, CA; Stewards for Affordable Housing for the Future; and the Vermont Energy Investment Corp.

About PACENOW:

PACENOW.org is the advocacy and educational non-governmental organization for PACE finance. For more information about PACE finance, please visit www.PACENOW.org.

About The Fir Tree Philanthropies:

The Fir Tree Philanthropies ("FTP") primary objective is to accelerate America's energy independence and promote sustainable capitalism through innovations in public policy, finance and entrepreneurship.

PACE FACT SHEET

History: The PACE finance industry began in California in 2008 when state enabling legislation was passed allowing for municipalities to create financing districts that could provide low cost retrofit capital to homeowners and building owners secured by senior tax liens on their property. PACE has the potential for large growth due to recently passed similar enabling legislation in more than a dozen states. Current PACE enabled states are: CA, CO, IL, LA, MD, NV, NM, NY, OH, OK, OR, TX, VT, VA, WI.

Property Assessed Clean Energy ("PACE") Finance Defined: A PACE bond or lien is a debt instrument where the proceeds are lent to commercial and residential property owners to finance energy retrofits (efficiency measures and small renewable energy systems) and who then repay their loans over 15-20 years via an annual assessment on their property tax bill. PACE bonds can be issued by municipal financing districts or finance companies and the proceeds can be used to retrofit both commercial and residential properties.

How it works: The key innovations of PACE finance involve materially lengthening the repayment period for energy retrofit loans and structuring the loan repayments as annual property tax surcharges. These innovations result in large benefits to property owners (positive cash flow in the first year on energy retrofits), municipalities (no fiscal burden yet large job creation), existing mortgage holders (borrower cash flow improves and the property value increases), and to PACE bond holders/investors (virtually no risk on investment because the PACE lien is senior in right to mortgage debt). Specific benefits are as follows:

PACE Fact Sheet

- **Property owners benefit from large cash savings as efficiency savings exceed the annual financing cost:** Instead of large required upfront payments by property owners for energy retrofits, the capital is lent to property owners and repaid over 15-20 years via an annual property tax surcharge. This long term repayment mechanism results in annual energy savings that greatly exceed the annual property tax cost, making PACE finance highly attractive to home and building owners.
- **States/Municipalities create jobs and have no added credit risk:** States and municipalities benefit from immediate job creation and the fact that PACE finance creates no credit or fiscal burden as the entire liability resides directly with those property owners who opt in to receiving PACE loans.
- **Appeal to existing mortgage holders:** PACE finance improves the cash flow of property owners (annual energy savings > annual tax surcharge cost) and increases the property's overall value all of which increase the creditworthiness of the existing mortgage
- **PACE bond holders/investors benefit from a highly secure investment:** PACE bonds have strong appeal to investors given that they are secured by long term tax liens that are senior in right to mortgage debt.

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