

CITY OF LA VISTA
MAYOR AND CITY COUNCIL REPORT
JULY 2, 2019 AGENDA

Subject:	Type:	Submitted By:
DISCUSSION – PACE FINANCING	RESOLUTION ORDINANCE ◆RECEIVE/FILE	CHRIS SOLBERG SENIOR PLANNER

SYNOPSIS

A presentation will be given to provide an overview of the Property Assessed Clean Energy (PACE) program.

FISCAL IMPACT

N/A.

RECOMMENDATION

Discussion and direction.

BACKGROUND

Property Assessed Clean Energy (PACE) is a financing tool that incentivizes building owners and developers to make building performance upgrades that improve energy efficiency, water conservation, and renewable energy generation by providing low-cost, long-term funding. PACE financing is repaid as an assessment on the property's regular property tax bill, which is routed through the treasurer's office to the PACE lender.

We have had both previous and recent inquiries about the use of this financing tool and have done some preliminary research regarding what would be involved from the City's perspective in order to offer this option to developers.

Chris Peterson of PACE Sage Capital has been instrumental in helping to create the PACE program and its authorizing legislation. He will be available to answer any questions the City Council might have regarding the program.

Council will be asked to provide direction regarding whether there is any interest in moving forward and offering the PACE financing tool as another option for builders and developers.



CITY OF LA VISTA
PLANNING DIVISION
REPORT:

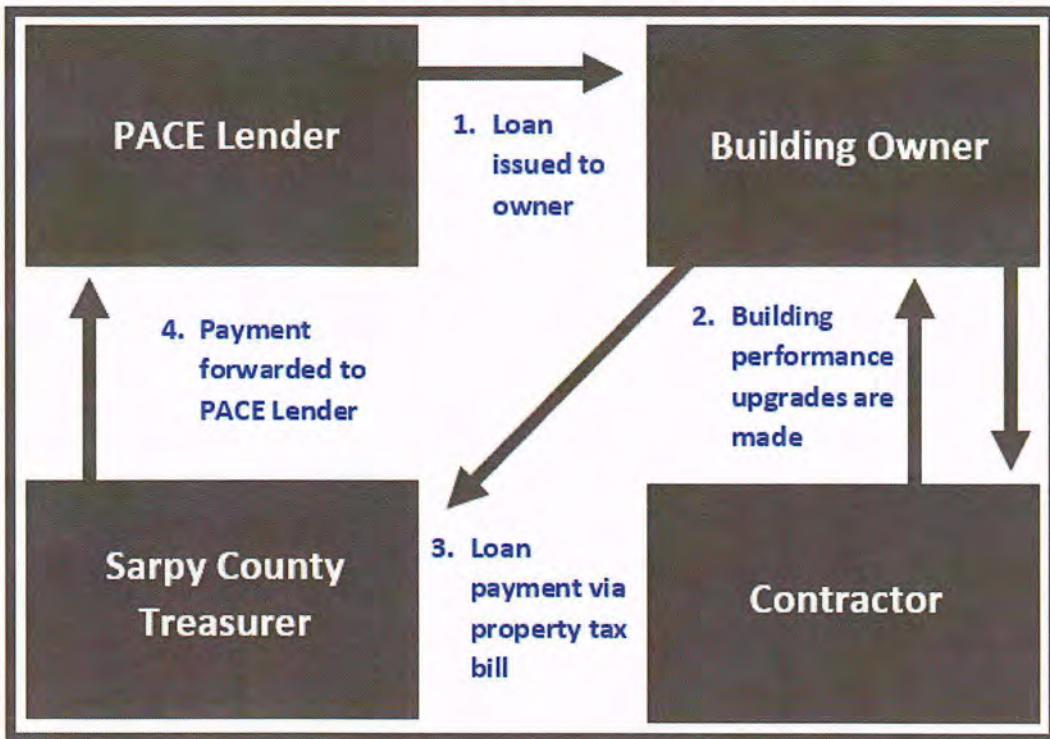
Prepared: June 2019

PACE Background & Feasibility Report

I. Background – What is PACE?

Property Assessed Clean Energy (PACE) is a financing tool that incentivizes building owners and developers to make building performance upgrades that improve energy efficiency, water conservation, and renewable energy generation by providing low-cost, long-term funding. PACE financing is repaid as an assessment on the property's regular property tax bill, which is routed through the treasurer's office to the PACE lender. This financing process is outlined in Figure 1.

Figure 1: PACE Financing Process



Pros & Cons

The benefits obtained through offering PACE financing appear to outweigh the costs. Once the program has been established, the time investment in operating the program is very minimal. The City needs to be willing to make the upfront time investment to get it started, though.

However, since Lincoln and Omaha both have established programs, this process should be simple for the City of La Vista. Here are the potential pros and cons of offering PACE financing to property owners in La Vista:

Benefits of PACE:

- Reduces peak demand for utilities
- Improves quality of building stock
- Reduces environmental impact
- Reduces long-term building operating costs (and subsequently, the cost of doing business)
- Supports local businesses carrying out the building performance upgrades
- Poses very little risk (the City is not liable for unpaid loan balances – In case of default, a lien is filed against the property)

Costs of PACE:

- Time investment in establishing and operating the program

II. City's Role & Responsibilities

The City acts as the operator of the PACE district, which is the legal mechanism in which the financing can occur. La Vista will need to pass an ordinance to establish the PACE district and create the application materials (application, assessment contract, and program guide). Once those have been created, here are the City's responsibilities relating to the administration of the PACE program:

- City receives the application and verifies that the building improvements qualify for PACE financing under LB 625 and that all necessary components are included in the submittal
- City's PACE Review Committee conducts an internal review and issues a letter of qualification to the application (if approved)
- City Attorney reviews and finalizes the assessment contract between the applicant, the financier, and the City
- City receives application and administration fees when the loan is issued
- City files property tax assessment with Sarpy County
- City conducts an inspection to ensure that the building improvements were properly installed and are operating correctly
- City annually invoices PACE Lender for the annual administration fee
- City submits an annual update to the State Legislature regarding the projects that have been financed through the PACE district during the year

LB 23 in the Nebraska Legislature updated the PACE legislation to allow for direct payment between the Property Owner and the Lender. This means that the City isn't even required to be the conduit for repayment unless the Property Owner fails to make payments on the loan. In case of default, the City is obligated to file a lien on the property on behalf of the Lender, but the City is in no way liable for unpaid balances on the loan. If the property is sold, the assessment remains with the property.

Time Commitment

The first application that the City processes will take more time as all parties become familiar with the process. Specifically, the City Attorney will likely need to engage in several meetings or conference calls with the Pace Lender and the Property Owner to clarify and refine the language in the assessment contract. However, after the first project has been approved and financed, subsequent applications will require very little time investment. Internal reviews are purely administrative and will likely require 5-10 hours of staff time, with an additional 5-10 hours of the City Attorney's time.

The largest time investment will be upfront in establishing the program. The first draft of the ordinance, assessment contract, and program guide are nearly complete, but will require a thorough review by the City Attorney.

III. Research:

Lincoln and Omaha have both established PACE districts and have utilized PACE financing. Here is a summary of their experiences:

- Neither has experienced any major challenges thus far, both in establishing and operating their PACE programs.
- PACE financing has been utilized in 8 projects thus far (primarily in Omaha).
- The application process for each City takes approximately 3 weeks.
- PACE programs in Omaha and Lincoln are nearly identical, including the establishing documents like the ordinance, program guide, application, and assessment contract drafts.
 - Lincoln's PACE Program Manager said that establishing their program was "painless" because they were able to use Omaha's documents and structure as a starting place, and Chris Peterson was a great help.

Source: Phone interviews with Bridget Hadley (current manager of Omaha's PACE program) on 5/17/2019, Bill Lukash (Assistant Planning Director with the City of Omaha) on 5/20/2019, and Frank Uhlark (current manager of Lincoln's PACE program) on 5/20/2019.

IV. Recommendations:

To receive the benefits that PACE financing can provide and to satisfy the interest for PACE financing among the development community, understanding that both Omaha and Lincoln have had positive experiences implementing and operating PACE programs, we recommend that the City of La Vista pursue the creation of its own PACE program. Program implementation can occur in the following steps:

1. Finalize the following program materials: ordinance, project application, assessment contract, and program manual.
2. Pass an ordinance to establish the La Vista PACE District.
3. Update website to house the materials and promote the program (See Omaha's website where their materials are housed: <https://planninghcd.cityofomaha.org/pace>).
4. Begin accepting PACE applications.