
MISSOURI PACE PROGRAMS: BUILDING CLEANER COMMUNITIES

By Juliet Mee

Clean energy was positioned firmly on the front page of every newspaper during the December 2015 Climate Summit in Paris. Communities throughout Missouri have been actively working to put measures in place that reduce energy costs while also reducing greenhouse gasses.

Replacing old, inefficient heating, cooling, and water systems with new high-efficiency units makes common sense. Improving efficiency through retrofits, new construction, and property redevelopment creates jobs. These concepts are the low-hanging fruit of the clean energy discussion; easy to talk about, sweet to eat. However, for Missouri's municipal leaders charged with creating clean energy outcomes and driving the local economies, the missing essential component has been the lack of financing options.

Property owners and developers often postpone or piecemeal renovations and new construction due to financial obstacles such as: lack of capital for upfront engineering costs, requirements for personal guarantees, or lack of longer-term financing options.

Property Assessed Clean Energy (PACE) financing changes all of that. Municipal finance administrators and economic development professionals in Missouri use this innovative tool to encourage local commercial property owners to invest in their properties that include switching to clean energy, reducing greenhouse gasses or simply replacing outdated systems. PACE programs have emerged as one of the most important innovative solutions for municipalities to help the commercial sector fund the switch to clean energy solutions. In fact, PACE was named one of the top "world changing ideas" by Scientific American magazine.

This article will focus on commercial applications of PACE financing. It addresses the key concepts of PACE financing, identifies first steps for municipalities to become eligible to bring this type of funding into their community, and provides resources for further investigation.

WHAT IS PACE AND WHY SHOULD WE CONSIDER USING IT IN OUR COMMUNITY?

PACE financing is a program available to commercial property owners in Missouri, as well as 30 other states. The program provides financing for all upfront costs of energy efficient (EE) upgrades, renewable energy (RE) upgrades, and energy audits for businesses. The financing comes through private funds and is repaid through annual property assessments. Property owners can finance 100 percent of a project up front and then repay their financing through annual property assessments; this makes both retrofits and new construction of energy-efficient measures affordable. By eliminating the obstacles to reasonable financing, PACE also provides the funding necessary to stimulate local job growth. These jobs further promote the clean energy movement within Missouri. Property owners across the nation are using PACE because it saves them money and makes their buildings more valuable. PACE financing stays with the building upon sale and is easy to share with tenants. State and local governments

sponsor PACE financing to create jobs, promote economic development and protect the environment.

WHAT CAN PACE PAY FOR?

PACE can pay for any item that improves the energy-efficiency of a building above and beyond what is required by code. This includes, but is not limited to: new heating and cooling systems, lighting improvements, solar panels, water pumps, insulation, and almost any improvement affixed to a commercial property – large and small commercial, industrial, non-profit, and agricultural.

DO YOU HAVE TO BE WORKING TOWARD LEED CERTIFICATION FOR YOUR BUILDING TO USE PACE FINANCING?

No. Leadership in Energy and Environmental Design (LEED) certification does not impact the financing. The key requirement is that the improvement provides energy and maintenance savings above and beyond what is required by local code.

IS PACE AVAILABLE FOR RESIDENTIAL USE IN MISSOURI?

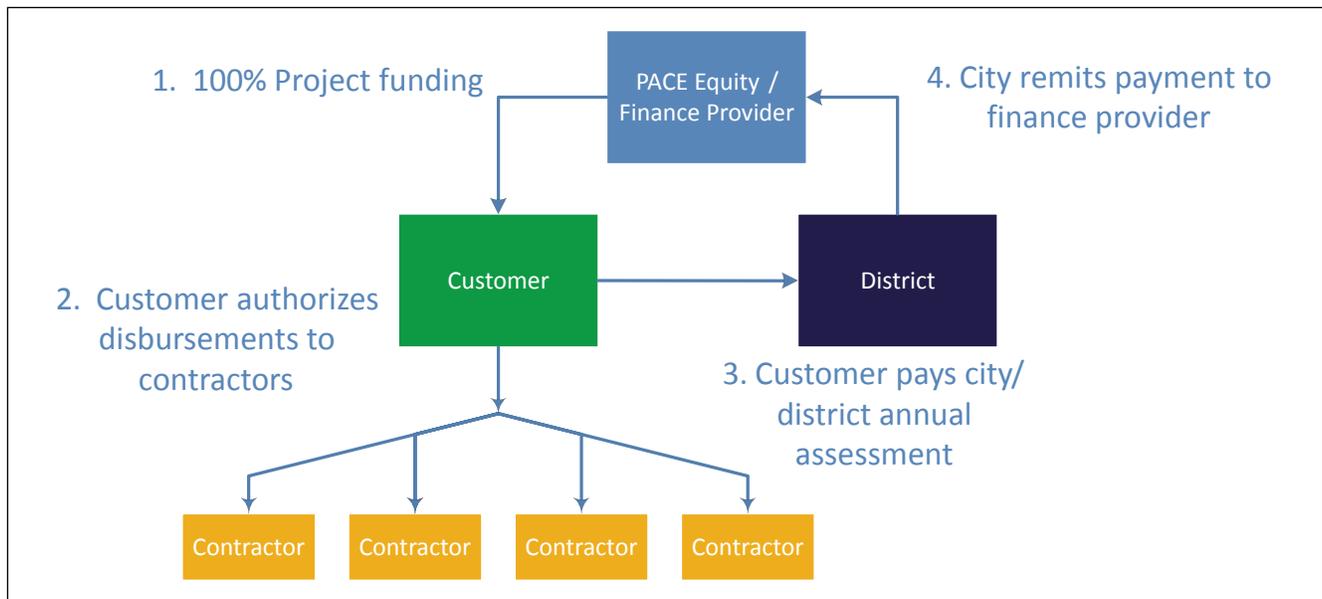
Although the issue continues to be discussed, PACE financing is not available at this time for the residential sector. Residential PACE programs across the nation have been suspended or not moving forward until further clarification is received from the Federal Housing Financing Agency.

HOW DOES PACE WORK?

Municipalities and counties join PACE districts to collectively and efficiently administer a PACE program. The district insures that the project is compliant with state laws. The district is responsible for handling day-to-day PACE financing application reviews and approvals, as well as payment and collections on behalf of the PACE Commission.

There are currently three districts in the state of Missouri: Show Me PACE, Missouri Clean Energy District, and Set the PACE St. Louis. This establishes an open market PACE program where communities can join any district they choose. Communities may join a single district or multiple districts.

PACE FUNDING DISTRIBUTION



Each state must pass enabling legislation that allows local governments to offer PACE financing to building owners. The Missouri legislature enacted the PACE legislation in May of 2010. This legislation allows for funding of clean/renewable energy and energy-efficient improvements through a property assessment. PACE is modeled after methods that have been used to fund public benefits such as roads, sidewalks, and fire departments. Municipalities then choose to participate in PACE funding by passing an ordinance electing to participate in a clean energy district. Participation by a municipality is entirely voluntary. Each municipality may participate in multiple boards. There is no cost, liability, or exposure for a municipality to form or participate in any clean energy development district.

After the framework for PACE has been established in a municipality, building owners or developers work with qualified PACE service providers to choose cost-effective projects that make good sense within the confines of the clean energy financing initiative. The building owner submits an application to the PACE district. Once the project has been approved, there is a traditional loan closing. The PACE finance provider then escrows the funds, and the building owner authorizes disbursements to the contractors. The contractors are chosen and the entire construction project is managed by the building owner/developer. The building owner then

PACE SUCCESS: CITY OF CHESTERFIELD

In the middle of 2015, Cambridge Engineering approached Libbey Malberg-Tucker, Community Services and Economic Development Director for the city of Chesterfield, Missouri, to investigate using PACE financing for an upgrade to the building that they leased within Chesterfield's city limits. They wanted to replace all their building lighting systems, as well as perform a complete HVAC systems retrofit to switch to more energy-efficient measures. The city of Chesterfield was already a member of the statewide Missouri Clean Energy District, and Cambridge was requesting that they join another district also, Show Me PACE. Ultimately, the city of Chesterfield became a member of both communities and the program was successfully funded using Show Me PACE.

"I would like to pass on the information I found to other people involved in community economic development," said Malberg-Tucker about her experience with PACE financing. "In our experience, there is no cost, liability, or exposure to Chesterfield or any other community by having PACE available. In addition, all the work to complete the financing of the project is done by the financing districts and PACE finance providers. There was no burden on our staff, and throughout the process, we couldn't come up with any reason to not do this. Initially we were only a member of the Missouri Clean Energy District and we found them to be better in dealing with larger projects. Since this was a smaller project, we felt that Show Me PACE was a better fit as they could complete the funding for a project this size in a more streamlined, cost-effective manner. We are glad to have PACE in our community and to be a member of both districts."

pays the municipality the annual assessment that is a line item on their annual property tax bill. The municipality then remits the payment to the finance provider.

WHERE IS PACE AVAILABLE IN MISSOURI?

The Missouri General Assembly enacted legislation allowing local government entities to raise money through the issuance of bonds or other sources of capital to fund energy efficiency and renewable energy projects to eligible property owners in 2011. Since then, 49 municipalities and counties have participated in PACE.

WHAT IS THE FIRST STEP TO BECOME ELIGIBLE TO OFFER PACE?

The community should have the city administrator or head of economic development contact the Show Me PACE Clean Energy District (www.showmepace.org) and the Missouri Clean Energy District. (mced.mo.gov). The Clean Energy District has draft ordinances for cities, towns, and counties to use in authorizing district memberships. The draft ordinance is available at no cost to municipalities who wish to join as a member of a district. □

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Additional Information About PACE Financing

PACE Nation
www.pacenation.us

United States Office of Energy Efficiency and Renewable Energy
<http://energy.gov/eere/slsc/property-assessed-clean-energy-programs>

Missouri Department of Economic Development
[https://energy.mo.gov/energy/communities/assistance-programs/property-assessed-clean-energy-\(pace\)](https://energy.mo.gov/energy/communities/assistance-programs/property-assessed-clean-energy-(pace))

National Association for PACE Providers
www.pacenation.us

Show Me PACE
www.showmepace.org

Missouri Clean Energy District
www.mced.mo.gov

St. Louis PACE
www.setthepacestlouis.com

Participating PACE Communities:

- Bel Nor
- Berkeley
- Bolivar
- Branson
- Cape Girardeau
- Cassville
- Charlack
- Chesterfield
- City of St. Louis
- Cole County
- Cooper County
- Doniphan
- Farmington
- Ferguson
- Galena
- Gentry County
- Greene County
- Hartville
- Hazelwood
- Hollister
- Holts Summit
- Independence
- Indian Point
- Jefferson City
- Jackson County
- Kansas City
- Kirkville
- Lamar
- Maryland Heights
- Mercer County
- Mississippi County
- Nixa
- North Kansas City
- O'Fallon
- Olivette
- Otterville
- Ozark
- Ozark County
- Park Hills
- Peculiar
- Pilot Grove
- Reeds Spring
- Springfield
- Sullivan County
- Taney County
- Town and Country
- Village of Four Seasons
- Warrensburg
- West Plains

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