

# MAKING HOMES MORE ENERGY EFFICIENT

by John Harris

Today, Missouri homeowners who want to go solar, replace their heating and AC unit, or install new efficient windows and doors have to pay for the project up front, through a credit card, or take out a loan. But thanks to Property Assessed Clean Energy (PACE), this is about to change. This change is bringing benefits to municipalities in addition to homeowners.



Cities and counties now have the opportunity to join Missouri Clean Energy District (MCED) – a statewide political subdivision, and enable residents to finance 100 percent of their efficiency-related repairs and upgrades through their PACE Program called HERO. HERO financing, made available through a partnership with Renovate America, provides new options for homeowners to make energy-efficient improvements, and to spread out payments over time through an assessment that is added to their property tax bill. HERO financing payments may have tax benefits, and many homeowners see immediate savings on utility bills by investing in efficient upgrades.

Jackson County recently joined MCED so HERO could be offered to its residents in the fall of 2016.

Counties and municipalities benefit from this partnership in numerous ways, including growing the local economy, increasing tax

revenues, improving the housing stock, and contributing to local and statewide energy plans – all at no cost to local government.

PACE programs, like HERO, offer various advantages over other sources of home improvement financing. PACE finances 100 percent of the improvement, requiring no upfront cash outlay. Approval is based primarily on home equity and debt payment history, rather than on the owner's consumer credit. The financing term is based on the useful life of the product, up to 20 years, spreading costs out over time. PACE keeps other existing credit sources available to help meet goals and emergencies. In addition, because the financing is in the form of a property tax assessment, the balance may transfer to a new owner if the property is sold.

By boosting home renovation activity, HERO increases demand for local contractor services. Renovate America's five-year projections

anticipate a statewide program could create more than 6,000 local jobs in Missouri, while providing an economic stimulus of \$1 billion to participating communities. This increased economic activity also increases local tax revenues.

Many contractors in California, where Renovate America has been operating HERO for the last four and one-half years, have seen their businesses grow substantially by offering this financing to their customers. This is because more homeowners are able to access financing for energy-efficient upgrades and clean-energy installations and customers can afford larger projects that carry a higher up-front price tag but that save them more money in the long run by lowering their energy bills.

Bringing HERO into a community improves the housing stock and may increase property values. A recent study conducted by nationally-recognized housing economist Laurie Goodman showed that on average, homes with HERO improvements sell at a price premium that can range from \$199 to more than \$8,800. That means efficiency projects recover and often exceed the investment, compared to recent studies showing popular kitchen and bathroom remodels recover only 58 percent to 66 percent of their costs. Other recent studies demonstrate that energy efficiency improvements raise home values. *(continued next page)*

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The MCED/HERO partnership works in direct support of Missouri's Comprehensive State Energy Plan (CSEP). Issued in October of last year, the CSEP lists the PACE model as one of its key strategies for improving "Efficiency of Use." The CSEP Executive Summary states that "Missouri's PACE Program offers a simple and effective way to finance energy efficiency, renewable energy – upgrades to both residential and non-residential buildings by eliminating cost barriers for property owners."

The consumer protections offered by HERO are one main reason that both municipalities and contractors choose to align themselves with this program. Because they operate as municipal partners, PACE programs like HERO, include consumer protection requirements that are not found in other payment options like credit cards or home equity loans. And HERO has a proven track record of offering the best consumer protections in the home improvement industry. For example, the HERO Program will only pay a contractor after the homeowner signs off that the job has been completed to their satisfaction. Contractors must be in good standing with the HERO Program; all required permits must be submitted; and homeowners must use products certified as efficient by the U.S. Department of Energy or by the Environmental Protection Agency. HERO also offers comprehensive protections for homeowners such as disclosures modeled after the federal Consumer Financial Protection Bureau's "know before you owe" form; prudent underwriting standards; confirmation of terms; and extra care for seniors to help ensure they understand the terms of the program.

MCED provides a simple series of action steps for a municipality to become a member. There is no cost and no liability to the municipality. All legal work is provided by the District counsel and specimen ordinances or resolutions authorizing membership in the District are provided upon request at no cost. Because the financing is in the form of a property tax assessment, municipalities provide oversight to the program. However, all funding comes from private investment. No public funds are used. For more information about joining MCED, visit [www.mced.mo.gov](http://www.mced.mo.gov). □

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