

Staff Report

Ordinance 39-17

Clean Energy Loan Program and Property Tax Surcharge

For the purpose of permitting PACE funding options to be utilized by City commercial property owners. PACE is a form of financing that allows property owners to undertake qualifying energy efficiency and renewable energy improvements on their buildings. These investments are then repaid through an additional surcharge on their property tax bill.

Similar to a sewer assessment, capital provided under a PACE program is secured by a lien on the owner's property and paid back over time. Like other surcharges, PACE is a non-accelerating, senior lien secured by the property (junior only to property taxes). The repayment obligation transfers automatically to the next owner if the property is sold and in the event of default, only the payments in arrears come due.

Anne Arundel County will manage the City of Annapolis' PACE program.

Benefits of PACE

PACE offers multiple benefits to a broad range of stakeholders including building owners, municipalities, mortgage holders, lenders and energy efficiency/renewable energy contractors. PACE financing spreads the cost of clean energy improvements – such as energy-efficient boilers, upgraded insulation, new windows, or solar installations – over the expected life of the measure. PACE projects are seen as less risky than typical loans because the payment is tied to the property tax bill, a secure payment stream.

- **Economic Benefits**
 - Minimizes up-front investment, installation, and performance risk of energy upgrades
 - Lowers energy and operating costs for building owners
 - Creates local jobs
 - Improves property values
 - Improves the efficiency, health, and comfort of a building, making it more attractive to tenants and future owners

- **Environmental Benefits**
 - Assists states and local governments in reaching energy and water conservation goals
 - Reduces carbon emissions and water usage
 - Assists states in Clean Power Plan compliance

About PACE in Anne Arundel County

PACE was established in Maryland on May 15, 2015 when the Governor signed Senate Bill 186 into law. The Maryland PACE statute requires that interested counties pass an ordinance to enable PACE in their county. Anne Arundel County enabled PACE by passing bill 68-14, allowing commercial, industrial and multifamily properties (with 5 or more units) to access financing secured by a PACE lien. The Maryland state statute

requires express consent from the mortgage lender in order for PACE financing to be approved.

Fiscal Impact

PACE financing is funded through private capital, with no cost to taxpayers. This ordinance has no City fiscal impact because any administrative expenses incurred by the County's management of the City's PACE program may be recouped through the surcharge on the owner's property tax bill.

Prepared by Hollis Minor, Economic Development Manager, City of Annapolis Economic Development Division, Planning & Zoning Department, (410) 263-7961 x7770, hgminor@annapolis.gov