PACE
Massachusetts
Program Information

December, 2019
MassDevelopment Overview

- Massachusetts’ finance and development agency, working with businesses, nonprofits, banks, and communities to stimulate economic growth.

- FY2019 Results
  - Financed or managed 316 projects
  - Invested more than $2 billion in the Massachusetts economy
  - Created or supported 9,743 jobs and built or preserved 1,992 housing units
Who We Serve

**Businesses**
Helping companies expand, modernize, and relocate.

**Developers**
Making the difference at every stage of development.

**Housing**
Building expertise, from predevelopment to construction.

**Manufacturers**
Finding skilled employees, opening global markets.

**Municipalities**
Eliminating blight, revitalizing downtowns, creating opportunities.

**Nonprofits**
Working with nonprofits to upgrade, renovate and expand.

**Banks**
Partnering with banks to provide creative financing.
How We Serve

West

Central

South

North

Greater Boston
What We Offer

Real Estate
• Technical Assistance
• Development Projects

Finance
• Bond Financing
• Grants
• Loans & Guarantees
• Tax Credits
Partnering With Banks

- Loan participations
  - Spreading risk
  - Keeping customers

- Loan Guarantees
  - Supporting higher LTVs and LOC advance rates

- Tax-Exempt Bonds
  - Structuring bank loan as tax-exempt bond to pass on lower interest rate to customer
What is PACE?

• Property Assessed Clean Energy (PACE) is a tax-based financing mechanism that enables low-cost, long-term funding for energy improvements

• PACE financing is repaid via a betterment assessment on a property’s tax bill

• PACE betterment assessments work similar to improvements for public infrastructure that benefit specific properties (i.e., sidewalk or sewer)
National Commercial PACE Market

- 20 States (plus DC) have active commercial PACE programs
- 36 states (plus DC) have PACE enabling legislation
- $1.1 billion financed for 2,020 projects (as of 10/2019)

*C-PACE dollars funded by building type*
New England Commercial PACE Programs

• Connecticut passed PACE enabling legislation in 2011 and a series of amendments in 2012 and 2015; C-PACE is administered by the Connecticut Green Bank

• Rhode Island passed PACE enabling legislation in 2016; RI C-PACE is sponsored by the RI Infrastructure Bank (SRS is administrator)

• New Hampshire passed PACE enabling legislation in 2016
PACE in Massachusetts

- Commercial Property Assessed Clean Energy (PACE) was passed in H4568 and signed by Governor Baker in August 2016
  - Amendment for PACE technical correction signed August 2019
  - PACE Massachusetts will become available in early 2020
- MassDevelopment will act as Lead Program Administrator
- MassDevelopment will administer the PACE Massachusetts program in consultation with the Massachusetts Department of Energy Resources
## Eligible Properties: Existing Buildings

**Property Type**
- Commercial/Industrial
- Not for profit
- Multifamily (5 units or more)

**Examples**
- Office buildings
- Malls
- Hotels
- Restaurants
- Manufacturers
- YMCAs
- Schools
- Health Care
- Apartment complexes
Eligible Measures

Measure Type

• Energy efficiency

• Renewable energy

• Gas line extensions

Potential Examples

• Energy management systems

• Insulation and air sealing

• HVAC systems

• Boilers and furnaces

• Lighting

• Energy Recovery and redistribution systems

• Solar panels

• Solar hot water

• Geothermal
Key Elements of PACE Massachusetts

- Municipal opt-in (one time) required
- Maximum financing term allowed by statute is 20 years (dependent on useful life of project measures)
- Energy cost savings must exceed cost of improvements (including any financing costs and associated fees)
- Third party direct private financing (no public funds used)
- Existing mortgage holders must provide written consent to a PACE financing and lien
Key Elements of PACE Massachusetts (continued)

• Municipal liens are senior to PACE liens; unpaid PACE assessments are senior to all other private mortgage liens in a foreclosure

• PACE assessments cannot be accelerated (only unpaid amount can be collected)

• If property is sold, the remaining PACE assessment and PACE lien stays with the property and transfers to new owner

• Minimum project cost for financing is $250,000

• No limit or maximum financing cost*
  * project must still meet energy cost savings requirement
Project and Financing Steps

• Property Owner selects Capital Provider (before or after project application submission)
• Project Application submitted to MassDevelopment
• Review conducted by MassDevelopment and the DOER
• The DOER performs technical review of project energy measures and proposed energy savings
Project and Financing Steps

- MassDevelopment
  - Verifies that municipality where project is located has authorized PACE
  - Reviews to ensure required property and financial information has been submitted by applicant
  - Verifies Mortgage holder consent was obtained (if applicable)

- If application approved, owner proceeds with Capital Provider and finalizes project details and financing terms

- MassDevelopment counsel prepares financing documents for closing
Project and Financing Steps

• When financing closes:
  • MassDevelopment instructs Municipality to levy PACE betterment assessment and record PACE lien
  • Municipality assigns lien to MassDevelopment
  • MassDevelopment assigns lien to Capital Provider

• Municipality responsible for billing and collecting PACE assessments via municipal property tax bill and disbursing amounts collected to MassDevelopment’s payment servicer

• Once received, the payment servicer will disburse assessment funds to each appropriate Capital Provider
PACE Authorized Municipalities

- Acton
- Agawam
- Amesbury
- Barnstable
- Devens
- Fall River
- Fitchburg
- Greenfield
- Gardner
- Lexington
- North Adams
- Northampton
- Pittsfield
- Randolph
- Rockland
- Wendell
- West Springfield
- Yarmouth
Commercial PACE Structure

Municipality

Notice to Municipality to Levy Betterment Assessment and Record Lien

Municipality Passes PACE Ordinance and Notifies MassDevelopment

MassDevelopment

Notice of Levy of Betterment Assessment and Recording of Lien

Notice of Proposal, Refinement, or Right to Assess and Request for Mortgage-Holder Consent

Or Designated Servicer

Lender

Lender Assignment Agreement

Mortgage Holder

Financing Agreement

Property Owner

Betterment Assessment Paid

Betterment Assessment Disbursement

- MassDevelopment
- Lender
- Municipality
- Property Owner
- Mortgage Holder
- Document
- Action

Notice of Proposal, Refinement, or Right to Assess and Request for Mortgage-Holder Consent

Mortgage-Holder Consent

Notice of Proposal, Refinement, or Right to Assess and Request for Mortgage-Holder Consent

Mortgage-Holder Consent
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