

MISSOURI CLEAN ENERGY DISTRICT

**Benefits to
Municipalities:**

- ◆ Significant job creation and or retention.
- ◆ Increased Property Values
- ◆ Increased Tax and Sales Revenue
- ◆ No Costs or Credit Risk for Participating Municipalities
- ◆ Encourages Investment by Property Owners
- ◆ Stabilization of Energy Costs for Constituents

**Special Points
of Interest:**

- ◆ PACE Provides Unlimited Capital Resources to member communities
- ◆ The District is already established therefore no local effort or expense is required.
- ◆ Member communities bear no liability or administrative responsibility for program operation.



A University of Missouri Extension Partner

**FINANCING OF RENEWABLES AND
ENERGY EFFICIENCY**

Missouri's Clean Energy District was formed in January of 2011. The District operates as a political subdivision following the enactment of the PACE Act of Missouri (HB 1692) during the 2010 legislative session.



Under the program, municipalities and counties may join the Special Tax District to help property owners finance energy retrofits by allowing an owner to place an additional tax assessment on his or her property.¹

Property owners who invest in energy efficiency (EE) measures and renewable energy (RE) systems repay these assessments over a period up to 20 years via additional

annual payments on their property tax bills.

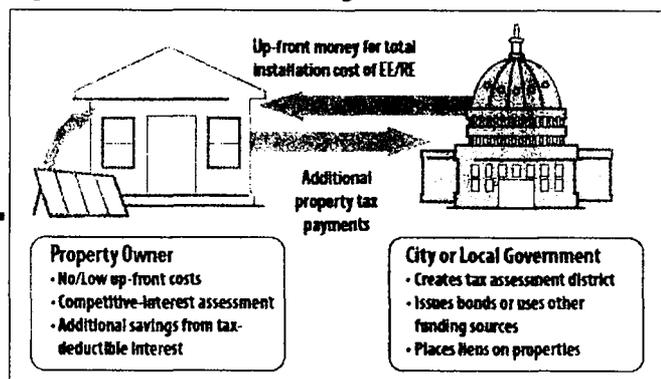
Communities that provide access to PACE funding for their property owners can address two major roadblocks to clean energy growth:

- 1) **-Lack of Capital:** Property owners often balk at the up-front cost of EE/RE improvements. While some are willing to make the investment, most are cautious about any investment, especially in the current economic environment. To finance EE/RE improvements,

property owners have had to self-finance (e.g., get equity loans) or rely on small-scale state or local government rebates and other financial incentives.

- 2) **-Hesitancy to Make Long-Term EE/RE Investments:** Because many owners move every 5 to 7 years, they hesitate to make a long-term investment. PACE assessments are transferable, allowing owners to recoup their investment upon sale of the improved property.

Figure 1. Basic PACE financing



PACE BASICS

The pivotal innovation of PACE is the creation of EE/RE assessments that are tied directly to a property and repaid via the property tax bill. The voluntary assessment, which is secured by a senior lien on the property, does not require an up-front payment.² The lien provides strong debt collateral in the event a property owner defaults on the

assessment. And, because the assessment and lien are tied directly to the property, they can be transferred upon sale.

The basic flow of financing activity is shown above in the box labeled Figure 1.

¹ Assessments are similar to loans in that they allow a property owner to pay off debt in installments over a period of time. However, PACE assessments are not legally considered as loans.

² PACE program may require application and administration fees, some of which may need to be paid up front, but which may be included as part of the financing.

MISSOURI CLEAN ENERGY BOARD

District Board members are elected by member municipalities annually.

officials may serve as Electors or Board members.

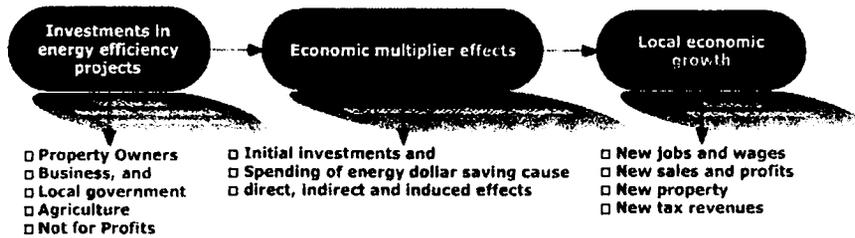
This system of board operation is a way of acknowledging the importance of local input.

To ensure local representation, each member municipality of the District designates an advisory board member and certifies in writing to the Secretary of the Board one Elector to represent the member at annual meetings. The elector need not be the Advisory Committee member. And neither Directors nor elected

The intent of this arrangement is to provide ample opportunity for the member community to have input while maintaining a reasonable number of board positions and a manageable working board.

The District has already begun its operations. The program parameters, funding guidelines and contract documentation have been established.

Energy Dollars Impact the Local Economy



“The program allows property owners to make energy-saving modifications through a voluntary assessment on the property, at no cost to local taxpayers. Our authority provides access to virtually unlimited capital for communities with membership in the PACE program. This will promote conservation, energy savings and job creation.”

--Tom Sadowski

Chairman, MCED

FUNDING

The District's purpose is to provide sustainable capital for qualifying EE/RE projects in communities across the state. When municipalities join together they create a broad base of demand for capital and therefore an opportunity for scale—and ultimately to a reduced cost of borrowing for property owners. One of the most attractive aspects of the

program to members is cooperation among communities which becomes a gateway to the lowest possible cost in terms of interest rates available to property owners.

An interim warehouse facility has been arranged by the District to accommodate the funding of individual projects as required. Once sufficient projects have been funded, the District issues bonds in the municipal market.

Program funding is provided through the municipal bond market.

JOBS

PACE has the ability to stimulate local job creation through the installation of EE / RE improvements on private property – jobs that can't be outsourced.

binced federal, state, and local tax revenue, and 60 jobs.

Recent case study research into the economic impact on jobs found that \$4 million in total PACE spending across the study area generated \$10 million in gross economic output, \$1 million in com-

It is estimated that for each one million dollars in project expenditures, between 13 to 15 jobs can be created.

Extrapolating from this study, if each municipality in Missouri produced just five appli-

cations annually for property improvement investments averaging \$20,000, the economic impact would translate into \$75 million in gross economic output—increased federal, state, and local tax revenue,—and over 1,000 jobs.



IT MUST WORK FOR EVERYONE IF IT IS TO WORK FOR ANYONE

As a financing mechanism, PACE provides relatively small funding amounts to individual property owners—and then bundles multiple contracts together for the purpose of accessing the municipal bond market. Certain efficiencies of scale are necessary to spread financing costs. It is for that reason that pooling of projects from multiple municipalities is required.

PACE program. Even the largest of Missouri Municipalities haven't the capacity for such

tion of the Missouri PACE Act is to provide access to capital through municipal membership to the District.



Here is a case where the best of intentions and a willingness to invest in the community is not enough.

There are, and always have been, plenty of resources for the more highly populated areas, but in the case of the Property Assessed Clean Energy model rural and urban areas must participate in a program that will provide a mutual benefit.

It is generally understood that no single municipality can establish a truly sustainable

a program. Therefore the board has determined the best practice for implementa-

tion of the Missouri PACE Act is to provide access to capital through municipal membership to the District.

ACTION STEPS FOR MEMBERSHIP

Counties, cities and incorporated towns and villages in Missouri have the exciting opportunity to join the District and provide the benefits of PACE to their communities!

quire additional work load, budget impact or liability for local governments. The Board provides the necessary administrative functions so that communities have access to funding while avoiding the burden of running another new program. The Board has engaged an administrator to run day to day operations of the program.

The Clean Energy District also has engaged municipal counsel to produce specimen ordinances for the use of cities, towns and counties in authorizing District membership.

Local governments are struggling to maintain programs and services in difficult times. The benefit of our PACE program is that it does not re-

The specimen ordinance is available at no cost to municipalities who wish to join as a member of the District.

ELIGIBLE PROPERTIES & PROJECTS

The PACE program will accept applications for the following property types:

- Commercial
- Industrial
- Agricultural
- Multi-family
- Not-for-profit
- Public facilities

Initially, the Clean Energy District provides funding for these non-residential properties.



Due to a dispute between PACE programs nationally and FHFA, the funding for residential properties is on hold. It is expected that there will be a resolution to this issue in the near future.

Meanwhile, applications for qualifying properties will be accepted for EE and RE projects proposing any acquisition, installation, or modification on public or private property designed to reduce the energy consumption of the property, including a wide variety of project types.

Nearly any project which can show an energy saving with a reasonable payback qualifies.

"[PACE] allows cities and counties to . . . provide financing for all upfront costs of energy efficient upgrades, renewable energy upgrades and energy audits for homes and businesses. Those upgrades can be costly, and this assistance will help many projects move forward. The bill was supported by a broad range of groups including utilities, consumer advocates and environmental groups."

—Gov. Jay Nixon

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Legal Counsel to the District



Financial Advisor to the District

"Since virtually every economic activity of modern industrial life is made with and run by fossil fuels — it stands to reason that [energy] efficiency is central to the story of productivity and economic growth."

—Jeremy Rifkin

Third Industrial Revolution

PROGRAM ADMINISTRATION

- ◆ *MoCEF provides administrative services to the Missouri Clean Energy District.*
- ◆ *MoCEF is distinguished as Missouri's first PACE administrator. Engaged by Missouri's newly established Clean Energy District, MoCEF's aim is to provide access to PACE funding in communities throughout the state at no cost to the sponsoring local government.*
- ◆ *MoCEF offers Missouri municipalities—including towns, villages, cities and counties, that wish to provide community access to the PACE program—a no cost solution to program design, administration, marketing and financing administration. This is unique among PACE program providers nationally.*

FEDERAL, STATE AND LOCAL SUPPORT FOR PACE

The Recovery Through Retrofit Act of 2009 identified three major market barriers to the widespread deployment of EE/RE technologies, one of which is access to affordable financing.

The interagency working group responsible for the report recommended providing program guidance to local government financing programs to address the financing barrier. The U.S. Department of Energy has also supported PACE funding programs through technical assistance, webinars, and online resources for ARRA Act grantees that pursued long-term financing mechanisms for energy retrofits.

The US Department of Energy provided \$452 million in funds to communities that received the grants as part of

the Energy Efficiency Block Grant Program. The funds were used to creating models to make savings accessible, for example by offering low cost loans that are repaid through property tax systems.

The design of the state-wide PACE Program in Missouri was initiated by the law enabling Missouri communities to establish a special assessment district that recognize EE and RE as a public "good."

While each locality can pass ordinances creating assessment districts, it is most likely that the best practice for a sustainable, widely available program, is for communities

to join with the state-wide district.

With proper mechanisms for community representation on the board (as discussed elsewhere within this publication) municipalities may provide a value proposition that can enhance community support tools. PACE

is a unique source of community capital which can be highly valuable to development efforts.

As competition for the development dollar becomes stronger and stronger, having access to capital without extensive barriers to entry is a blessing for Missouri municipalities.

