

PACE (Energy Finance Districts) Now Enabled in Florida

May 28, 2010

On May 27, 2010, Governor Crist signed into law CS/HB 7179 (the “Bill”) that permits a local government, or a group of local governments, to establish a Property Assessed Clean Energy (PACE) program which will enable property owners to finance energy efficiency improvements, wind stabilization and clean energy systems for both residential homes and commercial buildings. PACE is not a tax, has minimal fiscal impact on city /county government (or their bond ratings), is not linked to the financial credit status of the property owner, is opt-in, and completely voluntary. The result is an innovative, no-taxpayer subsidy approach to financing individual energy efficiency and renewable energy projects without the difficult to finance up front capital outlay.

The Bill enables a local government to create a “special district” (a confined local government established for a special purpose) that would serve as a financing vehicle for renewable energy and energy efficiency improvements for residential and commercial buildings. Under a PACE program, property owners borrow money from a newly established “municipal financing district” to purchase renewable energy devices and energy efficiency technologies, products, and services.

PACE programs are funded through the issuance of local revenue bonds. A PACE bond is a bond where the proceeds are lent to commercial and residential property owners to finance energy retrofits (efficiency measures and small renewable energy systems) and who then repay their loans over 20 years via an annual assessment on their property tax bill, thus acting as a lien on the property until the amount is paid off. If the consumer sells the property, the tax would then be paid by the new owner. For many home and business owners, the annual energy cost savings from the retrofitting will exceed the cost of the annual repayment costs. Since PACE is a voluntary opt-in program, a local government needs flexibility to make a PACE program financially viable. Accordingly, the Bill explicitly permits local governments to partner with one another to make a PACE program financially viable. Multiple cities can form a coalition to pool funds and acquire critical mass to issue bonds more effectively – this is the stated plan of the South Dade cities to create a “green corridor.” A property owner seeking to enroll in a PACE program must agree to a cost-benefit analysis for their property, taking into various factors such as kilowatt usage, design, location, trees and other factors to ensure financial feasibility for the planned improvement.

PACE financing was named by the Harvard Business Review as one of the “Breakthrough Ideas for 2010.” It has the potential to result in significant job creation for Florida at no cost to taxpayers - only property owners who opt-in to the program will pay the cost of the improvements.

Authored By



Kenneth A. Tinkler

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