



PACE Financing for CHP in Wisconsin

Policy Description

PACE Wisconsin is a statewide Commercial Property Assessed Clean Energy (C-PACE) program that leverages private capital to provide property owners with access to low-cost, long-term financing for clean energy projects such as energy efficiency including combined heat and power (CHP) installations, renewable energy, and water conservation improvements to commercial properties.

By participating in PACE Wisconsin, property owners avoid many up-front, out-of-pocket costs, enabling the deployment of CHP and other clean energy improvements that might otherwise be impeded by financial barriers. Necessary costs associated with feasibility studies, energy assessments, and verifications are paid for by the property owner and eligible to be rolled into the PACE Wisconsin loan. As estimated by the project's energy assessment, and later verified by an energy engineer during the engineering commissioning and verification process, PACE Wisconsin improvements must reduce energy usage, water usage, or generate renewable power for the property, and must have a useful life of at least five years.

There is no minimum efficiency requirement, as long as the project results in energy savings and achieves a savings-to-investment ratio of one or greater. Interest rates are competitive compared to other types of financing that might otherwise fund long-lasting improvements.¹ While non-profits typically do not pay property taxes, they can opt into a special assessment for the purposes of a PACE-funded building improvement. As of 2020, PACE Wisconsin has closed 32 projects and financed over \$43 million in clean energy improvements, producing energy savings in excess of 82,469 MMBtu.

Participating Communities



As of 2020, PACE Wisconsin operates in 45 counties. For loan amounts over \$250,000, the applicant must submit an energy assessment describing the energy, water and operational benefits that will accrue from the proposed improvement, which must be guaranteed pursuant to an energy savings guarantee that includes a verification process.

SOURCE: PACE WISCONSIN

Policy Development

PACE financing was initially authorized for residential improvements in 2009 through amendments to Wisconsin Statute § 66.0627(8). Subsequent amendments passed in 2010 allowed for the addition of C-PACE financing, which laid the groundwork for the launch of PACE Wisconsin. Local governments collectively established the Wisconsin PACE Commission to administer a uniform statewide PACE program. Wisconsin counties and municipalities relied upon their

¹ U.S. Department of Energy, C-PACE: A Fact Sheet for State and Local Governments, available at https://www.energy.gov/sites/prod/files/2017/10/f39/FL1710_WIP_CPACEv2.PDF

joint exercise of powers authority, with participating counties agreeing to adopt a model ordinance aimed at a unified PACE program.

Program Administrator

Slipstream, a non-profit clean energy organization, is the program administrator for PACE Wisconsin, serving as a single point of access for commercial property owners, participating communities, contractors, and financial lenders. As the program administrator, Slipstream provides program guidelines to ensure that PACE projects meet the requirements of Wisconsin Statute § 66.0627(8) and related local ordinances, and certifies that repayments occur according to schedule.

PACE Wisconsin Financing for CHP

In addition to Wisconsin, 30 states and the District of Columbia have passed legislation enabling local governments to offer PACE financing. While no CHP projects have been financed through PACE in Wisconsin so far, this is a new tool for developers to consider. Recognizing that upfront costs can be an obstacle to the deployment of otherwise economical CHP systems, the use of PACE financing might be a particularly good fit for end users interested in pursuing CHP, and can be combined with incentives, such as the federal investment tax credit (ITC).² Because a borrower's loan payments are tied to property taxes, the CHP project must be installed on property that is owned by the end user.

PACE Wisconsin is available to office, retail, warehouse, hospitality, agricultural and industrial properties, including brownfield sites, located within participating communities. The opportunity to finance related brownfield development costs may enable the deployment of CHP for institutions such as hospitals, or industry, that may wish to locate a CHP project on a former industrial or commercial site where use may be affected by real or perceived environmental contamination.

The first step in applying for PACE financing is to confirm eligibility by submitting a pre-application through Slipstream's online PACE Wisconsin Project Center.³ To qualify for PACE financing, a CHP project must be installed in an area whose local government already participates in PACE Wisconsin. The property owner then works with a participating contractor and energy engineer to obtain a feasibility study and energy assessment; requests financing quotes and secures consent from the mortgage lender; submits a final PACE Wisconsin application along with a \$300 application fee; closes on financing with a PACE Wisconsin lender; installs the project; performs engineering commissioning and verification to confirm energy savings; and submits a post-construction commissioning report to the PACE Wisconsin program administrator and PACE Lender.

To begin the CHP analysis process, please contact the U.S. Department of Energy (DOE) Midwest Combined Heat and Power Technical Assistance Partnership (CHP TAP) to receive a no-cost qualification screening. This analysis will help your site gauge whether a CHP feasibility study is necessary and warranted.

For More Information

U.S. DOE MIDWEST CHP TECHNICAL ASSISTANCE PARTNERSHIP (CHP TAP)
www.mwchptap.org

PACE WISCONSIN SLIPSTREAM (PROGRAM ADMINISTRATOR)
Kimberly Johnston, Senior Marketing Manager
608-729-6900
kjohnston@slipstreaminc.org

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² Meegan Kelly, ICF and Levi Hoiris, Sterling Energy Group, "New federal tax credit and benefits offer boost to combined heat and power (CHP) investment" (March 2018), available at <https://www.icf.com/insights/energy/federal-tax-extension-chp>

³ PACE Wisconsin Project Center, available at <https://www.pacewi.org/project-center.html>