

Lorain Port Authority

PACE Program

What is PACE?

PACE stands for Property Assessed Clean Energy. The Lorain Port Authority PACE Program can finance improvements to the property that helps reduce energy costs. The property owner pays the principal and interest on the financing through special assessments levied on the property. The Program can provide up to 100 percent fixed-rate financing for a term not to exceed 25 years, depending upon the useful life of the improvements. The Program will help reduce the property owner's operating costs through energy cost-savings and will allow the property owner to secure the funds in a manner that keeps the debt off of their financial statements.

Who is eligible for PACE

- Developers
- Commercial Property Owners
- Business owners
- Non-Profit Organizations
- Governmental Entities

What are eligible improvements under PACE

- Energy Efficiency Improvements:
 - Heating and Cooling systems
 - Roofs
 - Building insulation materials
 - Energy efficient windows
 - Solar and geothermal projects
 - Lighting
 - Energy management systems
 - Other improvements that lower energy costs

How much is available per project

- Project costs generally need to be in excess of \$250,000.

Benefits of PACE Program

- Reduced energy costs to the property owner
- Competitive fixed rate financing
- No mortgage required on property
- Loan is not considered debt on borrower's financial statement
- Property owners may be able to pass all or a portion of the costs to their Tenants

Application and Approval Process

- The Port Authority's application fee is \$1,500 and the approval process can occur within 30 to 60 days.

Interest Rate and Term of Financing

- Interest rates are subject to market conditions at the time of approval of the financing. The term of financing is based upon the useful life of the improvements. Closing fees are based upon the size and scope of the Project.

Contact Information

If you are interested in pursuing the PACE Program, please use the contact information below to contact Rick Novak or Tim Long.

Lorain Port Authority

Rick Novak, Executive Director

(440) 204-2265

Email: rnovak@lorainportauthority.com

Port Authority Financial Advisor

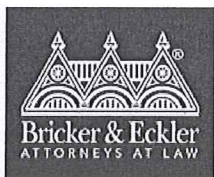
Tim Long, President

Long Economic Development Advisors, LLC

(614) 296-9196

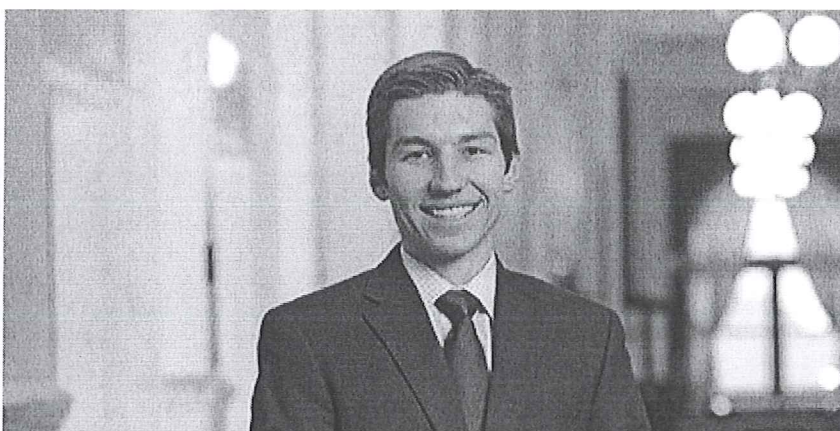
tlong@longeda.com





Colin J. Kalvas

Associate



< INSIGHTS & RESOURCES

S.B. 185 would significantly simplify PACE financing in Ohio

June 17, 2015

By John Caleb Bell, Colin J. Kalvas

Recently introduced Senate Bill 185 could simplify Property Assessed Clean Energy (PACE) financing in Ohio by providing Ohio property owners with an alternative option to creating or joining an Energy Special Improvement District (ESID) in order to use PACE financing.

Ohio property owners can use PACE financing to pay the costs of special energy improvement projects constructed on their properties. Rather than pay the projects' costs up front or as repayment of a loan, PACE allows property owners to pay the costs over time as special assessments due with their property tax bills. Under Ohio law, a property owner who wants to use PACE financing must create or join an ESID, get the approval from the township or municipal corporation in which the property is located and have the ESID authorize the project. S.B. 185 would give property owners another choice, significantly simplifying PACE financing in Ohio.

S.B. 185 at a glance

- Removes the requirement to create or join an ESID to use PACE financing
- Retains the option to create a new or join an existing ESID

CONTACT INFORMATION

Columbus
614.227.4998
ckalvas@bricker.com

ASSISTANT

Brandi R. Clark
614.227.4964
bclark@bricker.com

INDUSTRIES & PRACTICES

Public Sector Public Finance

BLOG CONTRIBUTION

DevelopOhioOhioGreenSt

- Allows property owners in non-contiguous townships and municipal corporations to create or join the same ESID to take advantage of economies of scale and administrative expertise
- Adds express statutory authorization for Ohio port authorities to cooperate with ESIDs and property owners for the provision of energy special improvement projects and PACE financing
- Revises Chapter 1710 of the Ohio Revised Code to provide standalone provisions for each of (1) traditional special improvement districts, (2) PACE ESIDs and (3) PACE financing without ESIDs
- Unlike HB 72, currently pending in the House Public Utilities Committee, S.B. 185 does not expand lists of special energy improvement projects eligible for PACE financing or give port authorities the ability to create ESIDs

PACE benefits

Ohio property owners may use PACE financing to pay the costs of a special energy improvement project, which is a project that either improves the energy efficiency of the structures on the property or involves renewable or advanced energy technologies. PACE financing allows Ohio property owners the ability to pay for the special energy improvement project as special assessments. Special assessments are current tax obligations on the property tax bill, and, therefore, they do not represent long-term indebtedness. They are also secured with the State of Ohio's highest priority lien for the collection of property taxes. Under most net leases, lessors can pass special assessments through to their tenants. Tenants, however, also benefit from decreased utility bills due to the energy savings related to the special energy improvement projects. In most cases, the energy savings completely offset the costs of the special energy improvement projects.

Ohio property owners and communities have used PACE financing due to its substantial benefits. Most prominently, the Northwest Ohio Advanced Energy Improvement District, in partnership with the Toledo-Lucas County Port Authority, has created one of the largest PACE programs in the nation. The program has administered over 48 special energy improvement projects and is in the process of funding several more. The City of Cleveland and its interior suburbs have partnered in the creation and administration of the Northeast Ohio Advanced Energy District, which has administered 17 special energy improvement projects. In several other communities, such as Lake County, Boardman Township and the City of Hilliard, individual property owners have been able to establish ESIDs and use PACE financing to construct special energy improvement projects on their properties. Other communities, like Cincinnati, Dayton, Columbus and Beachwood are in the process of establishing ESIDs or funding special energy improvement projects.

Ohio property owners have used various financing models to leverage the special assessments and pay the costs of special energy improvement projects. Some property owners have borrowed from ESIDs to pay the costs of the projects and pledged the special assessments to the ESIDs as repayment of the up-front funding. Others have borrowed from private lenders and pledged the special assessments as repayment to them. Still others have taken loans as part of broader financing packages and pledged the special assessments only as back-up security in the event they fail to pay the amounts due on the loans. Some property owners have even self-funded the costs of special energy improvement projects and used the special assessments to recover the costs of the capital from their tenants under net leases.

PACE's costs under the current model

PACE's benefits, however, come with significant costs under the current model. In order to use PACE, a property owner must either create or join an ESID. While ESIDs can include properties in multiple townships or municipal corporations, the townships or municipal corporations must be contiguous, limiting the ability of long-established and well-functioning ESIDs to administer additional projects. In order to create or join an ESID, a property owner must petition the township or municipal corporation in which the property is located and request that the township or municipal corporation either create an ESID or add the property to an existing one and then levy special improvements on the property. The ESID must meet to authorize the project.

The steps currently required to use PACE financing create significant costs for property owners. Time and resources must be expended in creating and administering the ESIDs. As functioning special purpose governmental entities, Districts also require some operating funds for expenses like public officials insurance and audits. Those funds must be provided as part of the PACE financing, increasing the cost of using PACE for property owners.

S.B. 185 simplification and cost reduction of PACE financing

S.B. 185 would simplify and reduce the costs of PACE financing in Ohio. It would give property owners the option to have special assessments levied without the creation of an ESID or the need to join an existing ESID. Instead, property owners could simply petition the township or municipal corporation in which the property is located to have the special assessments levied.

Existing and newly created ESIDs would be allowed to administer projects in any townships or municipal corporations that chose to submit property to the ESID without regard to continuity. Long-

established and well-functioning ESIDs would therefore be able to aggregate projects and provide their administrative expertise and economies of scale without being limited by a contiguity requirement.

Ohio port authorities have acted as valuable partners in PACE financing. S.B. 185 would bolster their ability to provide special energy improvement projects and participate in PACE financing by adding express statutory authorization to do so.

S.B. 185 would revise Chapter 1710 of the Ohio Revised Code to separate the two options for PACE financing – with an ESID or without an ESID – from the provisions in Chapter 1710 related to traditional special improvement districts. Traditional special improvement districts, PACE financing with an ESID and PACE financing without an ESID each would have standalone provisions in Chapter 1710, making PACE financing easier to understand and implement.

Unlike H.B. 72, which is currently pending in the House Public Utilities Committee, S.B. 185 would not retain the requirement for ESIDs. In addition, S.B. 185 would not give port authorities a primary role in creating ESIDs and would not expand the list of special energy improvement projects eligible for PACE financing.

Conclusion

S.B. 185 would significantly simplify PACE financing in Ohio, because it would allow Ohio property owners to reduce the costs of PACE financing by removing the requirement to create or join an ESID in order to use PACE financing. In addition, it would reduce costs by allowing long-established and well-functioning ESIDs to administer projects in non-contiguous townships and municipal corporations. Adoption of S.B. 185 would have the potential to impact Ohio property owners, economic developers, energy consultants, conduit financing entities and lenders participating in or considering PACE financing.

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\$3,375,000

**Lake County Port Authority
Property Assessed Clean Energy Bonds
(Great Lakes Mall Project)
Series 2012**



Property Owner:

Simon Property Group – Mall at Great Lakes, LLC.

Issuer:

Lake County Port Authority

Issuer's Financial Advisor:

Long Economic Development Advisors, LLC.

Project:

Energy Related Improvements to Great Lakes Mall in Mentor, Ohio.

Benefits of PACE Bonds:

- 100% financing, bond proceeds used to finance all project and financing costs.
- City levied annual special assessment equal to debt service on the Bonds.
- Simon passed on a portion of the special assessments to the Tenants.
- Simon purchased the Bonds and received a return equal to the 6% interest rate on the Bonds.

For More Information:

Tim Long, President

Long Economic Development Advisors, LLC

tlong@longeda.com

614-296-9196



\$2,338,000

**Western Reserve Port Authority
Property Assessed Clean Energy Bonds
Southern Park Mall Project
Series 2015**



\$2.338 Million Project

Property Owner:

Simon Property Group – Southern Park Mall, LLC

Issuer:

Western Reserve Port Authority

Issuer's Financial Advisor:

Long Economic Development Advisors, LLC

Project:

**Energy Related Improvements to Southern Park Mall
in Boardman Township, Ohio.**

Benefits of PACE Bonds:

- . 100% financing, bond proceeds used to finance all project and financing costs.**
- . Township levied annual special assessment equal to debt service on the Bonds.**

Rich Novak

From: Long, Timothy [tlong@longeda.com]
Sent: Monday, October 05, 2015 11:44 AM
To: Rick Novak
Subject: Fwd: CFFA Pace Program Article

Tim Long
President
LongEDA (Long Economic Development Advisors)
614-296-9196
tlong@longeda.com
www.longeda.com

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----- Forwarded message -----

From: Long, Joe <jlong@longeda.com>
Date: Mon, Oct 5, 2015 at 10:05 AM
Subject: CFFA Pace Program Article
To: Timothy Long <tlong@longeda.com>

Franklin County Commissioners approve loans for energy efficiency

By **Rick Rouan**

The Columbus Dispatch • Wednesday September 30, 2015 1:01 AM

Franklin County Commissioners unanimously approved a revolving loan fund for energy efficiency projects Tuesday after the head of the finance authority that will administer it answered questions about it.

Columbus-Franklin County Finance Authority President Jean Carter Ryan said the program will fill a gap in private-sector lending and that the authority will work with a team of experts to evaluate the loans.

Last week, Commissioner Paula Brooks questioned the authority's ability to vet complicated loans for energy projects and whether private banks could be used instead of taxpayer dollars. This morning, Brooks said she had met with Carter Ryan, and she voted to approve the program.

"We spent a lot of time looking at energy finance before we decided we wanted to get engaged in that area," Carter Ryan said. "We don't need to go into some space where there is not a market gap."

Commissioners plan to use \$7.5 million over the next five years from a quarter-cent sales tax hike they approved in 2013 to lend to companies looking to make energy upgrades to aging buildings and other green-energy projects.

It is the last of three economic-development initiatives funded by the tax. Commissioners announced an infrastructure bank and a job-training program earlier this year.

The county will send the finance authority about \$1.5 million a year over the next five years, and the authority will use that along with a mix of its own funds to make loans ranging from \$100,000 to \$5 million.

The loans will pay for energy-efficient building upgrades or to establish renewable-energy facilities. The authority is looking for projects to result in reductions of up to 20 percent in energy use.

Companies can use the savings generated by the more energy-efficient equipment to repay the loan, said James Schimmer, the county's economic-development and planning director.

Carter Ryan said most loans are around \$500,000 and that most banks don't want to make loans that small. Often, the equipment companies are purchasing doesn't work as collateral, she said.

The loans will have an interest rate that beats the market rate, Schimmer said last week.

The loan program also will give companies more favorable terms by extending the repayment period. The authority can extend its loans out to 15 years, she said, compared to the five-to-seven year term on a typical bank loan.

“Energy projects are really tough to finance for a host of reasons,” Carter Ryan said. “When you’re financing LED lighting it’s not like you can go and claim that collateral and sell it for what it’s worth in the marketplace.”

The authority’s board, which is made up of representatives appointed by the city and county, will vote on each loan, she said.

Commissioners Marilyn Brown and John O’Grady applauded the program on Tuesday. Brown said she is confident the finance authority has the experts needed to administer it.

“We would not have gone to you if we didn’t think you could do it,” she told Carter-Ryan.

Commissioners also approved spending an additional \$108,000 this year for the Franklin County Sheriff’s Office to add two lieutenants, four sergeants and three civilian employees to the county jail.

Those supervisors are needed to free up others to work on large projects and to reduce the load on current managers, sheriff’s office officials have said.

Joe Long
Vice President
LongEDA (Long Economic Development Advisors)
614-582-9440
jlong@longeda.com
www.longeda.com

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