



Planning and Economic Development

Ed Anzek, AICP, Director

From: James Breuckman, AICP
To: City Council
Date: 6/14/2013
Re: PACE Follow-up Items

Following are responses to concerns raised about the PACE program at the May 20, 2013 meeting.

Commercial Property Foreclosures. The City Assessor reports that when property taxes go delinquent the County of Oakland pays the taxing authorities their delinquent tax amount out of a "Tax Revolving Fund" they have established and the County then proceeds with the collection process. This happens just after March 1st each year when the current year unpaid taxes become delinquent. The County then collects the delinquent property tax along with interest and penalty.

If the taxes are not paid within a specified time, the County would initiate a property tax foreclosure process. If the property was ultimately foreclosed upon, the proceeds from the sale of the property would be used to cover the outstanding tax, interest and penalty. If the proceeds were not sufficient to cover the outstanding balance owed, the taxing authorities would be billed back for their prorata share of the shortfall. To the Assessors' knowledge, we have not had any commercial properties where we have been left with an uncollectable real property tax balance.

City Exposure in the Event of a Bankruptcy. The City Attorney will be providing supplemental information under separate cover addressing the City's exposure in the event of a bankruptcy.

In addition, the following language has been added to the PACE Special Assessment Agreement model in the PACE program documentation, Section 1.09, Delinquent Payments:

Delinquency or default shall not trigger acceleration. If any acceleration is agreed to by the parties, it may and shall not in any event reduce the amount of money recovered by the City of Rochester Hills due to any coincidental delinquency or default of name of entity on the property taxes it owes the City of Rochester Hills.

Experiences in Mature PACE Markets. The national advocacy group PACE Now put the City and Levin Energy Partners in contact with officials from Sonoma County, CA, which is one of, if not the most mature PACE markets in the nation in terms of commercial, industrial, and residential projects. Of the 58 commercial and industrial projects they have financed, they have had zero bankruptcies to date.