



City of Rochester Hills
AGENDA SUMMARY
NON-FINANCIAL ITEMS

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Legislative File No: 2013-0191

TO: Mayor and City Council Members

FROM: Ed Anzek, Director of Planning and Economic Development, ext. 2572

DATE: May 9, 2013

SUBJECT: Request for a resolution of intent to establish a Property Assessed Clean Energy program and schedule a public hearing

REQUEST:

The request is for Council to pass a resolution of intent to establish a Property Assessed Clean Energy (PACE) program, and to schedule a public hearing for a future council meeting.

BACKGROUND:

The Michigan Legislature passed PA 270 of 2010 known as the property assessed clean energy act. The act lists Michigan among at least 26 states with PACE enabling legislation, which is a growing mechanism to finance energy efficiency and renewable energy projects in a cost-effective, cash flow positive manner.

A PACE program authorizes the assessment of properties for the cost of the energy project and allows private commercial lenders or local units of government to finance energy projects. The property assessment remains with the property and has the same priority as property tax liens and assessment liens in the event of foreclosure. This allows for the transfer of repayment responsibilities when a property is sold as the new owner will assume payment for the balance of the assessment, which is fair in that the new owner of the property will pay for a proportional share of the cost of the energy project. Lenders prefer the assessment process because it ensures repayment in the case of a foreclosure.

In order to qualify for the PACE program, a proposed project must have a return in energy savings of at least \$1.01 for every \$1.00 spent on the project. This ensures that the projects will result in a net positive cash flow for the property owner, benefitting the property owner with increased cash flow, tenants with efficient green buildings, and the City through enhanced property values. There are also reporting requirements for PACE projects over a certain value, which ensures that the projects will deliver on their promised returns.

The PACE program is currently available only to commercial and industrial properties.

The City is proposing to partner with Lean & Green Michigan (LAGM) as the administrator of the PACE program. LAGM will provide administrative services to guide property owners through the application and approval process to establish a PACE program, and LAGM has also assembled a roster of private lenders and financiers who are looking to provide private capital for PACE projects. While the PACE enabling legislation allows the City to use public funds to do PACE projects, we are not proposing that method of financing. The City will have to name an authorized official who will sign off on proposed PACE projects. There will be no charge to the City by LAGM, so there is expected to be no cost impact associated with the PACE program.

In anticipation of a common concern, this program as presented will not require or leverage any of the City's full faith and credit. The only expense of the City is the time to post the assessment on the property tax record, collect the payment and mail the check to the lender and even that may not be necessary as the PACE enabling legislation allows the property owner to enter into an agreement to remit payment directly to the lender.

Staff is recommending that the PACE district encompass the entire City so that any interested commercial or industrial property owner can use the program, and to provide us with an additional economic development tool.

Approval of the district is a two-step process, with the first step being approval of a resolution of intent. After the resolution of intent, a proposed program report will be posted for review on the City's website and a public hearing will be scheduled for a future Council meeting. After the public hearing Council may pass a resolution of adoption establishing the PACE program and district.

RECOMMENDATION:

Staff recommends that City Council approve the resolution of intent to establish a PACE program and to schedule a public hearing for a future council meeting.

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Mayor		
City Council Liaison		