

**Response to Resident Questions from Council Member Tisdell  
June 11, 2013**

Last night a series of questions relative to our proposed adoption of a PACE ordinance was distributed to the City Council Members.

Here is my understanding of the issues raised:

Page 1

"Monopoly": The objective is a standardized turn-key program for the simplicity of the City Assessor, commercial property owners, and PACE lenders.

Energy auditor qualifications:

The energy audit credibility needs to be determined by the *borrower, commercial property mortgagee* (agreeing to subordinate to the PACE lien), and the *PACE lender*. An efficient standardized program relies upon entities that have already established mutual credibility.

Page 2

Written estimate of fees, costs, etc.:

The commercial property borrower, mortgagee, and PACE lenders will review and determine the acceptability of costs and fees prior to closing.

Taxable value goes up:

The intent of installing PACE financed energy conservation measures (ECM's) is to improve the commercial property owner's cash-flow and property value. Increased taxable value is a concurrent liability. If the *possible* taxable value increases--and resulting higher property taxes--does not exceed the *probable* gains of PACE financed ECM's the commercial property owner will likely not *volunteer* to participate.

Changes in tax laws:

It is very difficult to make business decisions that comply with *possible* future tax law changes. If this uncertainty outweighs the *probable* gains of PACE financed ECM's the commercial property owner will likely not *volunteer* to participate.

Remodeling project analogy:

PACE does not apply to residential properties.

Trying to sell the property:

If it is determined the PACE lien will impede the future marketability of the commercial property it is unlikely that the property owner will *volunteer* to participate.

Levin Energy Partners personnel:

The credibility of Levin Energy Partners and its personnel must be determined by the *PACE lenders, commercial property mortgagees* (accepting the PACE lien) and the *PACE borrowers*.

Page 3

PACE, in Michigan, does not apply to residences.

Page 4

Offer many PACE programs:

The City can terminate its "monopoly" agreement with Levin Energy Partners at any time without penalty. Any PACE broker is welcome to present its value-added services to the City.

Ann Arbor's Clean Energy Coalition:

Ann Arbor has chosen to fund PACE projects through city bonds. This has been specifically rejected by our City Council. Again, "fees, audits, etc." will be discovered, reviewed and accepted or rejected by the

PACE *borrower* prior to closing.

Responses from Mr. Levin:

The only things I would add to what Mark and Jim have said are as follows:

- The monopoly question: not only can Rochester Hills leave Lean & Green Michigan any time, it could actually also keep the PACE district and name someone else as third party administrator and/or *add one or more additional PACE districts simultaneously*. I'm not sure why you would want to do any of that, but it belies the monopoly claim. In practice, all the jurisdictions I know of around the country choose some third party or other - but just one - to run their PACE district, just like any other program they would run.
- The Ann Arbor model: It is worth noting not only that Ann Arbor is using bonds to fund their PACE projects (which is precisely what several Rochester Hills City Council members were most opposed to, and which was stripped from the Rochester Hills language), but also that Ann Arbor paid CEC a significant sum (at least \$180,000) to create their PACE district *and further* that the CEC contract ended in March, leaving the valiant Matt Naud (Ann Arbor's Environmental Coordinator) trying to figure out how to staff/pay for ongoing administration of the program.

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