

Roll Call: PACE Bonds Promote Efficiency

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BY: Rep. Steve Israel

For 30 years we have been pushing property owners on the benefits of energy retrofits — from efficiency measures like double-insulated windows to clean energy installations like solar panels, micro wind turbines and geothermal heat pumps. Despite the government's best efforts to sell the public on "going green," we've made little progress. Missing from the sales pitch to these property owners is a key factor: return on investment.

Until we inject those critical words into our national energy efficiency and renewable energy policies, we will continue to muddle through while our global competitors leapfrog us on green technologies.

Consumers want to buy these new clean energy technologies, but they are understandably hesitant about the high cost of efficiency upgrades. They need to see a return on investment in year one, not be promised a savings that pays off in year seven, eight or nine. I've introduced legislation to support Property Assessed Clean Energy bonds, a simple idea that gives homeowners and small-business owners the incentive they need to upgrade their properties with new green technologies today.

Municipalities use PACE bonds to create special tax districts in which property owners can choose to borrow the capital to finance energy-efficiency upgrades on their property. The municipality issues a bond for the capital costs of the retrofits and the participating property owners re-pay their loan through a small assessment on their property taxes. Those increases are offset and surpassed by immediate and dramatic savings in their utility bills — most projects can create an immediate 20 percent to 40 percent reduction in energy use. This financing model can be applied to both residential and commercial properties.

The repayment period is up to 20 years. No personal debt is assumed because the lien is placed on the property and transfers with the property ownership. Since property taxes are usually deductible, the borrower should be able to derive a tax benefit.

PACE bonds make it possible for property owners to reap immediate rewards. Now, we need a way to make PACE bonds available to every American property owner. For that to happen, the federal government needs to minimize the risk for investors. We can do it without a significant cost to the federal or state governments.

I introduced legislation to authorize the Department of Energy to provide 100 percent loan guarantees for PACE bonds. It's a simple legislative fix that will lead to real changes in American homes while bolstering our green economy, creating opportunities for the investment community, and achieving our global goal of reducing carbon emissions. The energy we are wasting through inefficiency presents a huge opportunity. The building sector accounts for 72 percent of U.S. electricity consumption and more than 36 percent of greenhouse gas emissions

in the United States. Nationally, it's estimated there is \$500 billion to \$1 trillion of energy retrofit work to be done. If even half of that work was accomplished, the result would be a huge economic stimulus generated from the private sector that would create jobs; save money for homeowners, small businesses and commercial portfolio holders; decrease energy usage and waste; enhance our national security; and substantially reduce our carbon emissions.

Some experts have argued that utility companies can do a better job financing energy efficiency at lower cost and faster pace. By bringing the municipal bond market into the equation, there will be an added force supporting public-private partnerships.

To make PACE bonds work effectively, for example, municipalities that offer financing must have the training and infrastructure to ensure their bonds are targeted at true energy efficiency. Still, the finance and investment community has always been a catalyst in helping the nation solve its most vexing technological problems.

PACE bonds will make the commitment to energy efficiency more affordable, accessible and attractive without an added burden on America's taxpayers. Most importantly, for people who have already put so much into their home or business, PACE bonds will provide a true return on investment.

Rep. Steve Israel (D-N.Y.) serves on the Appropriations Subcommittee on Energy and Water Development.