

## Commercial PACE Works: National study shows only one default out of 1,870 deals

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Practice Area: Government Finance & Government Law & Energy and Clean Technology

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A recent study by the US Department of Energy's Lawrence Berkeley National Lab shows that commercial property assessed clean energy loans (PACE) are growing in popularity and are a good bet for lenders and property owners. Through 2017, projects worth \$887 million have been completed, creating more than 13,000 jobs.<sup>1</sup> The study found just one default on a PACE loan out of 1,870 deals nationwide since 2008.<sup>2</sup>

PACE is an innovative program that enables property owners to obtain low-cost, long-term loans for energy efficiency, renewable energy, and water conservation improvements. Projects financed using PACE can generate positive cash flow upon completion with no up-front, out-of-pocket cost to property owners—eliminating the financial barriers that typically prevent investment in revitalizing aging properties. The term of a PACE Financing may extend up to the useful life of the improvement, which may be as high as 20 years or more, and can result in cost savings that exceed the amount of the PACE financing. The result is improved business profitability, an increase in property value, and enhanced sustainability. PACE financing is also available for new construction under Wisconsin law.

Along with the Wisconsin Counties Association, Slipstream and other partners, von Briesen had a leadership role in creating PACE Wisconsin, a joint powers commission comprising a consortium of Wisconsin counties. von Briesen's vision of a uniform PACE program throughout the state was implemented through creation of a joint powers commission open to any county that wishes to join. PACE is now available in 43 Wisconsin counties, representing 85% of the state's population.

The recent PACE study also showed that most jurisdictions adopting PACE programs are using a model similar to the one adopted in Wisconsin, because it is easy for local governments to administer.<sup>3</sup> Midwestern states are leading the way in expanding PACE. Wisconsin now ranks 11th in PACE financing deals completed, according to PACENation data through 2017.<sup>4</sup> In 2019 PACE Wisconsin closed an \$8.8 million deal on a historic hotel renovation in Green Bay, financed with a taxable bond offering by the Public Finance Authority. PACE Wisconsin has \$15 million in total closings so far in 2019, and over \$10 million in the pipeline for the rest of the year.

PACE Wisconsin has registered more than 80 contracting firms that are ready to make buildings more efficient and more comfortable, and has 17 capital providers available to finance building upgrades and new construction. PACE Wisconsin is also supporting legislation to improve the program by reducing paperwork requirements and making financing available for electric vehicle charging equipment. More information about PACE Wisconsin can be found on its website, [www.pacewi.org](http://www.pacewi.org).

von Briesen's team of attorneys has a demonstrated record of success in all aspects of PACE development, including finance, real estate, land use, and government relations. We are proud to serve as general counsel to PACE Wisconsin and as general counsel and primary transaction counsel to the Public Finance Authority, a joint powers commission created by the Wisconsin legislature in 2010 for the specific purpose of issuing conduit revenue bonds and other debt obligations to finance projects in Wisconsin and throughout the country.

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<sup>1</sup> PACE Market Data, PACENation website, <https://pacenation.us/pace-market-data/> (accessed August 4, 2019)

<sup>2</sup> Commercial PACE Financing and the Special Assessment Process: Understanding Roles and Managing Risks for Local Governments, Greg Leventis and Lisa Schwartz, Lawrence Berkeley National Laboratory, June 2019, [http://eta-publications.lbl.gov/sites/default/files/final\\_cpace\\_brief\\_1\\_112308-74205-eere-c-pace-report-arevalo-fz.pdf](http://eta-publications.lbl.gov/sites/default/files/final_cpace_brief_1_112308-74205-eere-c-pace-report-arevalo-fz.pdf) (accessed August 4, 2019).

<sup>3</sup> Commercial PACE Financing and the Special Assessment Process: Understanding Roles and Managing Risks for Local Governments, Greg Leventis and Lisa Schwartz, Lawrence Berkeley National Laboratory, June 2019, [http://eta-publications.lbl.gov/sites/default/files/final\\_cpace\\_brief\\_1\\_112308-74205-eere-c-pace-report-arevalo-fz.pdf](http://eta-publications.lbl.gov/sites/default/files/final_cpace_brief_1_112308-74205-eere-c-pace-report-arevalo-fz.pdf) (accessed August 4, 2019).

<sup>4</sup> Study: Nonpayment risk remote for commercial clean energy loans, Frank Jossi, Midwest Energy News, July 31, 2019, <https://energynews.us/2019/07/31/national/study-nonpayment-risk-remote-for-commercial-clean-energy-loans/> (accessed August 4, 2019) (citing PACE Market Data, PACENation website, <https://pacenation.us/pace-market-data/> (accessed August 4, 2019)).

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