

**BILL NO.: 4490**

**ORDINANCE NO.: \_\_\_\_\_**

**Introduced by: Council Present**

**AN ORDINANCE TO ENABLE THE CITY OF BERKELEY, MISSOURI TO JOIN THE MISSOURI CLEAN ENERGY DISTRICT PURSUANT TO SECTIONS §67.2800 TO §67.2835, INCLUSIVE, RSMO., THE “PROPERTY ASSESSED CLEAN ENERGY ACT,” AND STATING THE TERMS UNDER WHICH THE CITY WILL CONDUCT ACTIVITIES WITHIN THE CITY AS A MEMBER OF SUCH DISTRICT**

**WHEREAS**, the 95<sup>th</sup> General Assembly of Missouri enacted Sections §67.2800 to §67.2835, inclusive, RSMo. the “Property Assessment Clean Energy Act” (the “Act”); and

**WHEREAS**, the development, production, and efficient use of clean energy and renewable energy, as well as the installation of energy efficiency improvements to publicly and privately owned real property, will create jobs for residents of the City of Berkeley, Missouri, advance the economic well-being and public and environmental health of the City of Berkeley, Missouri, and contribute to the energy independence of our nation; and

**WHEREAS**, the primary intent of funding energy efficiency and renewable energy improvements pursuant to the Act is to promote the public purposes described above; and

**WHEREAS**, Section §67.2810.1 authorizes one or more Municipalities (as defined in Section §67.2800.7) to establish a Clean Energy Development Board to initiate and administer a Property Assessed Clean Energy (“PACE”) Program so that owners of qualifying property can access funding for energy efficiency improvements or renewable energy improvements to their properties located in such Municipalities; and

**WHEREAS**, on January 3, 2011, a clean energy development board now named the Missouri Clean Energy District was created with the intention that all Municipalities within the State of Missouri would be eligible to join and participate by approving an appropriate ordinance or resolution; and

**WHEREAS**, it is in the best interests of the City of Berkeley, Missouri and for the benefit of its residents to join and participate in the District.

**Now, Therefore, Be it Ordained by the City Council of the City of Berkeley, Missouri, as follows:**

**Section 1.** The Council of the City of Berkeley hereby approves and authorizes joining and participation in the Missouri clean Energy District.

**Section 2.** The City declares its intent that the provisions of the Ordinance shall be in conformity with federal and state laws. The City enacts this Ordinance pursuant to Sections 67.2800 to 67.2835 of the Missouri Revised Statutes (2000), as amended.

Subsection One. Title and Definitions

A. Title. This Ordinance shall be known and may be cited as “The City of Berkeley, Missouri Property Assessed Clean Energy (PACE) Ordinance

B. Definitions. Except as specifically defined below, word and phrases used in this Ordinance shall have their customary meanings. Words and phrases defined in Section 67.2800.2 of the Missouri Revised Statutes (2000), as amended, shall have their defined meanings when used in this Ordinance. As used in this Ordinance, the following words and phrases shall have the meanings indicated.

"Missouri Clean Energy District" or "District" means the Missouri Clean Energy District.

"PACE Assessment" means a special assessment made against qualifying property in consideration of PACE Funding.

"PACE Funding" means funds provided to the owner(s) of qualified property by the District for an energy efficiency improvement.

"Qualifying Property" means real property located in The City of Berkeley, Missouri.

Subsection Two. Program Administration.

The Missouri Clean Energy District shall administer the functions of the PACE Program within the City by

- A. providing property owners with an application in order to apply for PACE Funds;
- B. developing standards for the approval of Projects submitted by property owners;
- C. reviewing applications and select qualified Projects;
- D. entering into Assessment Contracts with property owners;
- E. providing a copy of each executed Notice of Assessment to the County Assessor and causing a copy of each such Notice of Assessment to be recorded in the real estate records of the Recorder of Deeds for the County;
- F. authorizing and disbursing the PACE Funds to the property owners;
- G. receiving the PACE Assessment from the County Collector;
- H. recording any lien, if needed, due to nonpayment of a PACE Assessment; and
- I. exercising all powers granted by Section 67.2810.2 of the Missouri Revised Statutes (2000), as amended, including, but not limited to, the power to levy and collect special assessments under an assessment contract with a property owner.

Subsection Three. Liability of City Officials; Liability of City.

Notwithstanding any other provision of law to the contrary, officers and other officials of the City, the District and the County in which the City is located shall not be personally liable to any person for claims, of whatever kind or nature, under or related to the City's participation in the District's PACE Program, including, without limitation, claims for or related to uncollected PACE Assessments. The City has no liability to a property owner for or related to energy savings improvements funded under a PACE Program. The District shall for all purposes be considered an independent entity and shall not be considered a political subdivision of the City of Berkeley.

**Section 3.** The Mayor of the City is hereby authorized to deliver a duly executed copy of this Ordinance of the Board of Directors of the District or its designee, together with the jurisdictional and geographic boundaries of the City for inclusion in the jurisdictional and geographic boundaries of the District.

**Section 4.** The City authorizes and directs the Mayor of Berkeley to appoint a member of the Advisory Council of Missouri Clean Energy District and to notify the District of the person so appointed.

**Section 5** This Ordinance shall be in full force and effect from and after the date of its passage.

1st Reading this \_\_\_\_\_ day of \_\_\_\_\_ 2016

2nd Reading this \_\_\_\_\_ day of \_\_\_\_\_ 2016

3rd Reading, PASSED and APPROVED, this \_\_\_\_\_ day of \_\_\_\_\_ 2016

\_\_\_\_\_  
Theodore Hoskins, Mayor

ATTEST:

\_\_\_\_\_  
Deanna L. Jones, City Clerk

\_\_\_\_\_  
Approved As To Form:  
Donnell Smith, City Attorney

Final Roll Call:

Mayor Hoskins	Aye	___	Nay	___	Absent	___	Abstain	___
Councilwoman Hoskins	Aye	___	Nay	___	Absent	___	Abstain	___
Councilwoman Kirkland	Aye	___	Nay	___	Absent	___	Abstain	___
Councilwoman Mathison	Aye	___	Nay	___	Absent	___	Abstain	___
Councilman-at-Large McDaniel	Aye	___	Nay	___	Absent	___	Abstain	___
Councilwoman Mitchell	Aye	___	Nay	___	Absent	___	Abstain	___
Councilwoman Williams	Aye	___	Nay	___	Absent	___	Abstain	___

# RENOVATE AMERICA

## ABOUT RENOVATE AMERICA

Renovate America offers the leading residential Property Assessed Clean Energy (PACE) program in the nation, the HERO Program. HERO allows property owners to pay for improvements that reduce energy consumption over time as a property tax assessment.

Local governments adopt the program, allowing local property owners access to the financing without the need for taxpayer funding, through Renovate America's network of trained local home improvement contractors and private capital providers. This unique public-private partnership relies on a comprehensive technology platform that offers consumers a seamless experience and ensures installed products improve the efficiency of the home.

### **A Robust New Market for Energy and Water Efficiency**

The majority of homeowners who choose HERO had a system in their home fail or need replacement or an upgrade. Studies have shown that 75 percent of the time, without PACE financing, property owners choose the less efficient product. HERO allows them to make an investment likely to lower its operating cost, with no upfront cash required. Competitive fixed rate assessments are paid back over five to 20-year terms based on the useful life of the product. Those terms are often longer than credit cards or home equity lines of credit would allow, bringing monthly payments within reach. And unlike any other form of financing, any remaining balance may be able to transfer to the new buyer when a home is sold.

That access and affordability makes a variety of energy-saving products attractive, including solar power panel installations, whole-home heating and cooling (HVAC) systems, energy-saving windows and doors, roofing, building envelope, and insulation.

### **Unparalleled Consumer Protections**

Renovate America is leading the industry, working with other PACE providers to offer unparalleled consumer protections:

- Contractors – most of them locally-owned small businesses – must have a proven track record for quality and be in good legal standing.
- Installed products must be rated as efficient by the DOE, EPA, or a state or local government agency.
- Prices must fall within fair market standards.
- Payment to the contractor is withheld until the homeowner signs off that the work is complete.
- Seniors over age 64 get extra attention to help ensure they are moving forward with a project that is right for them.

## RENOVATE AMERICA

### **Added Value**

A recent study conducted by nationally-recognized housing economist Laurie Goodman showed that on average homes with HERO improvements sell at a price premium that can range from \$199 to more than \$8,800. That means energy and water projects recover and often exceed the investment, compared to recent studies showing popular kitchen and bathroom remodels recover only 58 percent to 66 percent of their costs. Homeowners may also benefit immediately from efficiency-oriented improvements through lower utility bills and potential tax benefits.

### **Technology-enabled Results**

Renovate America's HERO Gov software portal provides real-time data and reporting to state and local government partners regarding projects funded in their communities as well as the resulting economic impact, jobs created, and estimated kilowatt-hours ("kWh") of energy saved, emissions reduced, and gallons of water saved. The HERO Pro software portal provides contractors data on HERO eligible homes, training curriculum and guidelines for program operation, and project estimation tools. Proprietary software which allows Renovate America to evaluate and underwrite applications within minutes.

As a result of the success of the platform, over four years, Renovate America and its public partners have provided almost 60,000 homeowners projected savings of approximately 8.8 billion kWh of energy, 3.6 billion gallons of water, \$2.4 billion in lower utility bills, and 2.4 million tons of emissions reduced. More than 11,000 local jobs have been created as well as \$2.3 billion in local economic impact.

### **Private Capital for Public Good**

Renovate America has worked to create a stable and attractive new asset for large-scale private investment in energy efficiency and renewable energy at the individual property level. Renovate America has completed six securitizations, including the first-ever PACE Green Bonds. This asset-backed investment revenue source keeps interest rates competitive and removes risk from government partners in achieving their clean energy and water goals.

### **Recognized Leader**

Public recognition includes the EPA's 2016 Climate Leadership recognition for an Innovative Public-Private Partnership, inclusion in the 2016 White House Water Summit with a ten-year commitment to conserve 34 billion gallons, the Governor's Environmental and Economic Leadership Award in California, the Urban Land Institute Best of the Best, and the Southern California Association of Governments President's Award for Excellence. In addition, Renovate America was recently recognized as the Top Workplace in the mid-sized company category by the San Diego Union-Tribune, its hometown paper. The company had already outgrown its mid-sized category by the time the award was received. CEO JP McNeill was named Most Admired CEO in the "Mega" business category by the San Diego Business Journal.

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## Missouri Clean Energy District

### Full Program Information

#### Financing of Renewables and Energy Efficiency

Missouri's Clean Energy District was formed in January of 2011. The District operates as a political subdivision following the enactment of the Missouri PACE Act (HB 1692) during the 2010 legislative session.

Under the program, municipalities and counties may join the Special Tax District to help property owners finance energy retrofits by allowing an owner to place an additional tax assessment on his or her property.

Property owners who invest in energy efficiency (EE) measures and renewable energy (RE) systems repay these assessments over a period up to 20 years via additional annual payments on their property tax bills. Communities that provide access to PACE funding for their property owners can address two major roadblocks to clean energy growth:

- **Lack of Capital:** Property owners often balk at the up-front cost of EE/RE improvements. While some are willing to make the investment, most are cautious about any investment, especially in the current economic environment. To finance EE/RE improvements, property owners have had to self-finance (e.g., get equity loans) or rely on small-scale state or local government rebates and other financial incentives.
- **Hesitancy to Make Long-Term EE/RE Investments:** Many owners move every 5 to 7 years so they may hesitate to make a long-term investment. Because PACE assessments are fixed and stay with the property, any remaining balance may be able to transfer to a new buyer when an owner sells the home.

#### PACE Basics

The pivotal innovation of PACE is the creation of EE/RE assessments that are tied directly to a property and repaid via the property tax bill. The voluntary assessment, which is secured by a senior lien on the property, does not require an up-front payment.

The lien provides strong debt collateral in the event a property owner defaults on the assessment. And, because the assessment and lien are tied directly to the property, they can be transferred upon sale.

## **Missouri Clean Energy Board**

District Board members are elected by member municipalities annually.

To ensure local representation, each member municipality of the District designates an advisory council member and certifies in writing to the Secretary of the Board one Elector to represent the member at annual meetings. The elector need not be the advisory council member. And neither Directors nor elected officials may serve as Electors or Board members.

The intent of this arrangement is to provide ample opportunity for the member community to have input while maintaining a reasonable number of board positions and a manageable working board.

This system of board operation is a way of acknowledging the importance of local input.

## **Funding**

The District's purpose is to provide sustainable capital for qualifying EE/RE projects in communities across the state. When municipalities join together they create a broad base of demand for capital and therefore an opportunity for scale—and ultimately to a reduced cost of borrowing for property owners. One of the most attractive aspects of the program to members is cooperation among communities which becomes a gateway to the lowest possible cost in terms of operational efficiency and ultimately the borrowing rate for property owners.

Program funding is provided through private investment sourced from the municipal bond market.

An interim warehouse facility has been arranged by the District to accommodate the funding of individual projects as required. Once sufficient projects have been funded, the District issues bonds in the market.

## **Jobs**

PACE has the ability to stimulate local job creation through the installation of EE / RE improvements on private property – jobs that can't be outsourced.

Recent case study research into the economic impact on jobs found that \$4 million in total PACE spending across the study area generated \$10 million in gross economic output, \$1 million in combined federal, state, and local tax revenue, and 60 jobs.

It is estimated that for each one million dollars in project expenditures, between 13 to 15 jobs can be created.

Extrapolating from this study, if each municipality in Missouri produced just five applications annually for property improvement investments averaging \$20,000, the economic impact would translate into \$75 million in gross economic output —increased federal, state, and local tax revenue, — and over 1,000 jobs.

## **It Must Work for Everyone if it is to Work for Anyone**

As a financing mechanism, PACE provides relatively small funding amounts to individual property owners —and then bundles multiple contracts together for the purpose of accessing the municipal bond market. Certain efficiencies of scale are necessary to spread financing costs. It is for that reason that pooling of projects from multiple municipalities is required.

It is generally understood that no single municipality can establish a truly sustainable PACE program. Even the largest of Missouri Municipalities haven't the capacity for such a program. Therefore the board has determined the best practice for implementation of the Missouri PACE Act is to provide access to capital through municipal membership to the District. Here is a case where the best of intentions and a willingness to invest in the community is not enough and intergovernmental participation makes the program work for everyone.

## **Action Steps for Membership**

Counties, cities and incorporated towns and villages in Missouri have the exciting opportunity to join the District and provide the benefits of PACE to their communities!

Local governments are struggling to maintain programs and services in difficult times. The benefit of our PACE program is that it does not require additional work load, budget impact or liability for local governments. The Board provides the necessary administrative functions so that communities have access to funding while avoiding the burden of running another new program. The Board has engaged an administrator to run day to day operations of the program.

The Clean Energy District also has engaged municipal counsel to produce specimen ordinances for the use of cities, towns and counties in authorizing District membership.

The specimen ordinance is available at no cost to municipalities who wish to join as a member of the District.

## **Eligible Properties and Projects**

The PACE program will accept applications for the following property types:

- Commercial
- Residential
- Industrial
- Agricultural
- Multi-family
- Not-for-profit
- Public facilities

The Board has established the Missouri HERO program in partnership with Renovate America as a part of its offering. In addition to commercial, this program brings residential property funding into the district's program offering.

Applications for qualifying properties will be accepted for EE and RE projects proposing any acquisition, installation, or modification on public or private property designed to reduce the energy consumption of the property, including a wide variety of project types.

Nearly any project which can show an energy saving with a reasonable payback qualifies.

## **Federal, State and Local Support for PACE**

The Recovery Through Retrofit Act of 2009 identified three major market barriers to the widespread deployment of EE/RE technologies, one of which is access to affordable financing.

The interagency working group responsible for the report recommended providing program guidance to local government financing programs to address the financing barrier. The U.S. Department of Energy has also supported PACE funding programs through technical assistance, webinars, and online resources for ARRA Act grantees that pursued long term financing mechanisms for energy retrofits.

The US Department of Energy provided \$452 million in funds to communities that received the grants as part of the Energy Efficiency Block Grant Program. The funds were used to creating models to make savings accessible, for example by offering low cost loans that are repaid through property tax systems.

The design of the state-wide PACE Program in Missouri was initiated by the law enabling Missouri communities to establish a special assessment district that recognize EE and RE as a public "good."

While each locality can pass ordinances creating assessment districts, it is most likely that the best practice for a sustainable widely available program, is for communities to join with the statewide district.

With proper mechanisms for community representation on the board (as

discussed elsewhere within this publication) municipalities may provide a value proposition that can enhance community support tools. PACE is a unique source of community capital which can be highly valuable to development efforts.

As competition for the development dollar becomes stronger and stronger, having access to capital without extensive barriers to entry is a blessing for Missouri municipalities.

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