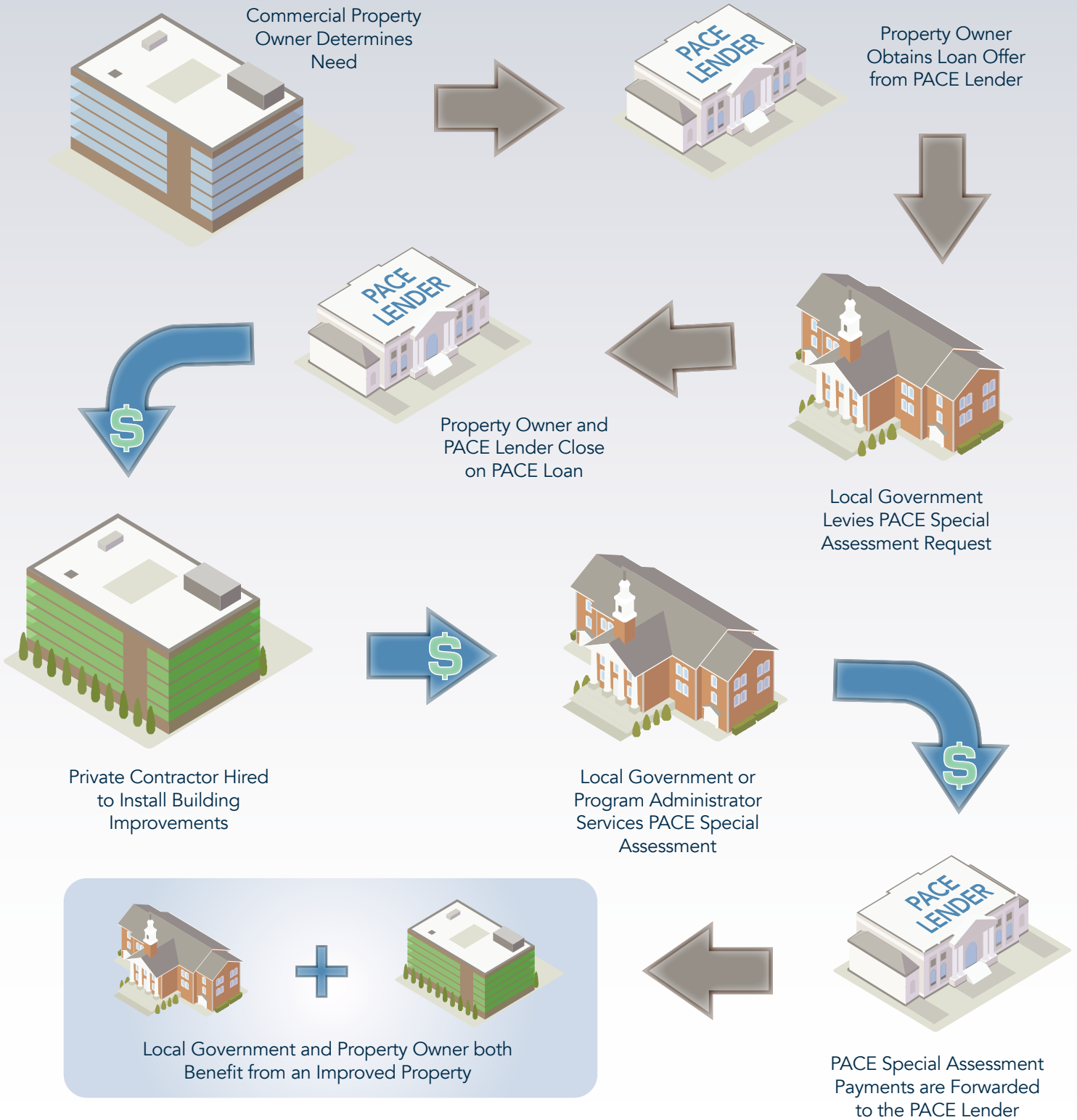




PACE Financing in Kentucky

PACE financing is a dynamic and rapidly growing funding option for energy efficiency and renewable energy projects on commercial properties. PACE is unique in that the sole repayment is made via a special assessment added to the property's existing tax bill.



Frequently Asked Questions

When did PACE begin in Kentucky?

The Kentucky General Assembly passed PACE-enabling legislation in 2015. The legislation is known as the "EPAD Act of 2015" and allows a county or city government to pass local legislation that creates an Energy Project Assessment District (EPAD).

What type of building improvements are eligible for PACE financing?

The EPAD Act of 2015 allows for energy efficiency, renewable energy and water efficiency improvements to commercial properties (i.e., non-single family residential properties).

Why is the local government involved in PACE financing?

Generally, when government gets involved with energy projects, it usually means incentives, subsidies or tax breaks are present (i.e., spending taxpayer dollars). PACE is not a subsidy. Instead, PACE offers a free market method to help businesses save money and create jobs without any new public funds or government bureaucracy. The government's only role is to facilitate a process, just as in the case of other special improvement districts. However, with PACE, only the private property owner that requests a PACE special assessment is affected. The key to PACE is that projects are structured, financed and paid for entirely by the private sector. By authorizing PACE special assessment requests, local governments are allowing the private property owner to access long-term financing with favorable rates that improves the property's bottom line.

Will this only affect the private property owner that participates?

Yes, PACE is a voluntary financing option to help commercial property owners make energy efficiency and renewable energy improvements. Only the property owner that requests a PACE special assessment is affected. Importantly, that property owner is also the only one that sees an increase in their property tax bill because of the PACE special assessment being added.

Does this apply to residential properties?

Although some states have elected to allow single-family residential property owners to request PACE special assessments, Kentucky's EPAD law only applies to non-single family residential properties.

Where does the money come from?

Capital to fund eligible building improvements for PACE loans comes from private financial institutions. No funds are requested by the local government that approves a PACE special assessment. In addition, the local government is not responsible should the property owner become delinquent on their property tax bill and not pay the PACE special assessment.

Why not traditional bank loans?

Traditional bank lending typically has a limited term (five to seven years). For short-term payback improvements like lighting, this works well. However, when longer-term payback improvements are considered (e.g., HVAC, windows, upgrades to more complex energy equipment), the need for an extended-term loan option combined with favorable rates make PACE the lowest repayment amount in most cases.

How does the PACE special assessment affect an existing mortgage?

The EPAD Act of 2015 requires that the existing mortgage lender provide "consent" to the PACE loan before the property owner requests a PACE special assessment from the local government. Although the special assessment is "senior" to the mortgage, the balance of the PACE loan does not accelerate and become full and due in the event of a foreclosure; like property taxes, only the special assessments in arrears are due. Additionally, PACE loans that allow for capital expenditures only increase the value of the asset for the mortgage holder.

How much can a property owner borrow with PACE?

Although each PACE lender has its own underwriting guidelines, most PACE lenders will provide loans for up to 25 percent of the property's market value for existing buildings. For new construction developments, the amount generally is 20 percent of the property's appraised "as-completed" value.