PACE (Property Assessed Clean Energy)

Property assessed clean energy (PACE) is a tool to finance energy efficiency and renewable energy improvements through a property lien and special assessment. PACE allows for sustained reductions in energy demand that can decrease production (and pollution) by power plants.

Path Forward Priority: Next (2021-2022)

Status: Pending Legislation

Roadblocks:
- 2017: Senate Bill 493 was introduced on March 29, 2017 to enable Commercial PACE (C-PACE) at the state level. The bill would allow municipalities to opt-in to PACE programs for commercial properties. The bill was flagged by the NC Treasurer’s offices as unconstitutional, because the program enables a local government to serve as a “go-between” for the property tax assessment/lien that is used by a tax paying entity to finance energy efficiency, renewable energy or other property upgrades. ¹
- 2020: North Carolina held a short legislative session in July of 2020; no progress was made to enable C-PACE. The NC Treasurer’s Office maintained their opposition to the enabling legislation. ²
- 2021: In February, the North Carolina Department of Environmental Quality renewed efforts to address concerns by the NC Treasurer’s Office in the proposed C-PACE enabling legislation. However, the General Assembly did not prioritize C-PACE and legislation was not enabled.
- 2022: C-PACE will be brought up again during the general assembly with hopes of making progress.
- There is currently no proposed legislation for Residential PACE.

Next Steps:
- Follow C-PACE legislation and determine additional steps as needed. Provide input during stakeholder process.
  - Request a Diversity Equity and Inclusion (DEI) impact study that investigates unintended consequences like rent increases and who’s benefitting from the C-PACE program.
  - Research existing studies that could provide lessons learned.
- Determine role of Mecklenburg County Government in local implementation.
- Assist with creating awareness and support from local municipalities in the Charlotte region.

Stakeholders: NC Legislature, NC Department of Environmental Quality, and NC Building Performance Association.

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- 2020: North Carolina held a short legislative session in July of 2020; no progress was made to enable C-PACE. The NC Treasurer’s Office maintained their opposition to the enabling legislation. ²
- 2021: In February, the North Carolina Department of Environmental Quality renewed efforts to address concerns by the NC Treasurer’s Office in the proposed C-PACE enabling legislation.
- There is currently no proposed legislation for Residential PACE.

Next Steps:
- Follow C-PACE legislation and determine additional steps as needed.
- Determine role of Mecklenburg County Government in local implementation.
- Assist with creating awareness and support from local municipalities in the Charlotte region.
- Evaluate racial equity impacts of this strategy.

Stakeholders: NC Legislature, NC Department of Environmental Quality, and NC Building Performance Association.

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Property Assessed Clean Energy (PACE)

Existing Efforts:

- Senate Bill 493 was introduced on March 29, 2017 to enable Commercial PACE (C-PACE) at the state level. The bill would allow municipalities to opt-in and help setup PACE programs locally. The bill made it through the 2017 session’s crossover deadline but was not heard in the committee. The bill was flagged by the NC Treasurer’s offices as being unconstitutional, based on how the program works by enabling a local government to serve as a “go-between” for the property tax assessment/lien that is used by a tax paying entity to finance energy efficiency, renewable energy or other property upgrades.  
- North Carolina Building Performance Association (NCBPA) continues to do research on support and opposition in the North Carolina Senate and House with key stakeholder organizations to further advance the bill. Efforts also include obtaining lobbying funds, educating supporters, finding case studies for viable C-PACE projects, and proving the constitutionality of the program in North Carolina. The bill could be re-introduced in the 2020 legislative session, making way for it to be passed into law in 2020 and for local governments to sign-on to offer programs in late 2020 or early 2021.
- North Carolina Department of Environmental Quality has identified the inability to finance C-PACE as a major barrier addressed this as part of their Clean Energy Plan.
- There is currently no legislation for Residential PACE.

Stakeholders: NC Legislature, NC Department of Environmental Quality, and NCBPA.

Funding: Until PACE is approved at the state level, no funding can be allocated for projects. If legislation were enacted, the North Carolina General Assembly would provide guidance on eligible projects, qualified PACE financing institutions, and proper funding allocation.

Next Steps:

- Continue following C-PACE legislation; next steps will be determined when enabling legislation is passed.

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**The Idea:** Property Assessed Clean Energy (PACE)

- Functions like a public-sector loan.
- Municipalities use public money\(^1\) to cover the up-front cost of clean energy or energy efficiency improvements at private commercial or residential\(^2\) properties.
- The cost of the improvements becomes a property lien and the municipality recovers those costs over time through a multi-year special tax assessment.
- North Carolina session law 2009-525 provides authority to local municipalities to implement this type of program.

**The Action:**

- Research the legal requirements for a PACE program.
- Partner with local municipalities to develop and implement PACE programs in the region.

**The Pollution Source:** 11% of NOx comes from Electricity Generation\(^3\)

**The Cost-effectiveness:** $359/lb of NOx\(^4\)

**The Factors:**

- It takes significant, sustained reductions in energy demand to decrease production by power plants.
- While customers see energy off-sets on their bill, that doesn’t directly translate into emissions avoided from power generation.
- Particulate Matter – Low co-benefit
- Greenhouse Gas – Medium co-benefit

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\(^1\) Revenue or general obligation bonds, project development financing debt instruments, or general revenues.

\(^2\) Currently, Federal Housing Finance Agency guidance makes it difficult to pursue residential PACE projects with a first-lien special assessment.

\(^3\) 9.08 tons/day of NOx. Source: Revised Maintenance Plan For The Charlotte-Gastonia-Salisbury, North Carolina 2008 8-Hour Ozone Marginal Nonattainment Area (July 2018)

\(^4\) Based on one year of emission reductions.

Photo: SolarWorld, Witherspoon Distillery, Lewisville, TX