



Residential PACE

Property assessed clean energy (PACE) programs allow landowners to finance the up-front costs of energy efficiency and energy efficiency upgrades through their property tax bills. PACE is voluntary for homeowners, and those who participate can cover 100% of a project's costs. Projects can include installation of more efficient heating and cooling systems, insulation, energy efficient appliances, solar panels, and energy efficient doors and windows.

WHAT IS IT?

Residential PACE is a financing mechanism for energy efficiency and clean energy improvements for residential property owners. Under Ohio law, municipal corporations and townships can approve the formation of energy special improvement districts (ESIDs), which allow property owners to plan for and finance energy efficiency and clean energy projects. To pay for a project, the municipal corporation or township adds a special assessment to the property's regular tax bill. Because the project stays on the land, the tax assessment also stays on the tax bill for the property's later owners. With financing terms extending up to 20 years, property owners can use PACE financing for more complicated and expensive projects that can meaningfully reduce energy use over the long term.

WHY IS IT IMPORTANT?

Residential PACE allows homeowners to take implement more expensive energy efficiency and clean energy improvements to their homes without significant up-front costs. Individual property owners may wish to reduce their energy usage but find themselves unable to do so because of the large up-front costs of the necessary projects. Residential PACE gives property owners the capital to make those upgrades possible. While property owners must pay back the costs through assessments on their property taxes, the energy savings from the improvements may be greater than the additional assessments.

Property owners in Ohio can secure PACE financing for:

- Energy efficiency improvements “that reduce or support the reduction of energy consumption, allow for the reduction in demand, or support the production of clean, renewable energy and that are or will be permanently fixed to real property;”
- Solar panels;
- Geothermal improvements;
- Solar thermal improvements;
- “Customer-generated energy projects” such as “wind, biomass, or gasification” projects under with less than 250 kW capacity.

BENEFITS



Communities can partner with renewable energy companies and contractors on PACE projects to spur jobs growth and local economic development.



Individuals can reduce their carbon footprints through less energy use with more energy efficient homes or solar panel installation.



Reduced energy usage can reduce electricity rates for all ratepayers.



Individual households can achieve lower energy costs with low up-front costs.

HOW CAN COMMUNITIES IMPLEMENT THIS POLICY?

Communities interested in PACE financing for residents must ensure that the properties for PACE projects are within an ESID. Non-profit boards of directors control ESIDs after they are created under Ohio law, and ESID territories are limited to the specific properties on which PACE projects are planned. However, once an ESID is established within a municipal corporation or township, property owners can easily add their property to the ESID to seek financing. These properties need not be contiguous. ESIDs are independent from local governments, and their role is to guide a PACE deal through the financing process.

To create an ESID, at least one project in a municipal project or corporation is necessary. Municipal corporations or townships that do not want to wait for a property owner to come forward may create an ESID using municipally owned property to establish the ESID. Many major Ohio communities are already within regional ESIDs, some of which encompass surrounding municipal corporations and townships. Existing ESIDs include the Columbus ESID, the Northeast Ohio Advanced Energy District in the Cleveland area, the Suburban Communities ESID in the Cincinnati area, the Northwest Ohio Advanced Energy Improvement District in the Toledo area, the Dayton Regional ESID, and the Akron-Summit County ESID.

A key role for communities to ensure that an ESID is available to interested property owners. If no ESID exists, communities may initiate the ESID process with municipal property. Communities can also provide interested households information on how to join an ESID, what is involved in the PACE planning process, and the consumer protections that exist.

RESOURCES

U.S. Dep't of Energy, Best Practice Guidelines for Residential PACE Financing Programs (Nov. 18, 2016), <https://www.energy.gov/sites/prod/files/2016/11/f34/best-practice-guidelines-RPACE.pdf>