

**SUBJECT:** AN ORDINANCE OF THE MATANUSKA-SUSITNA BOROUGH ASSEMBLY ESTABLISHING THE BOROUGH'S PROPERTY ASSESSED CLEAN ENERGY (PACE) PROGRAM.

**AGENDA OF:** September 6, 2022

**ASSEMBLY ACTION:**

**MANAGER RECOMMENDATION:** Introduce and set for public hearing.

**APPROVED BY MICHAEL BROWN, BOROUGH MANAGER:** WB

Route To:	Department/Individual	Initials	Remarks
	Originator K. Anderson	KA	
	Planning Director A. Strawn	AS	
	Finance Director	CS	
	Borough Attorney	Q. N. S.	
	Borough Clerk	YMM 8/20/22	BM

**ATTACHMENT (S):** Fiscal Note: YES \_\_\_ NO X  
Ordinance Serial No. 22-100 (5 pp)

**SUMMARY STATEMENT:**

In October 2021, the Matanuska-Susitna Borough Assembly adopted Resolution Serial No. 21-076 supporting the Property Assessed Clean Energy (PACE) Program and recognizing that the PACE Program serves a valid public purpose. In February of 2022, the Matanuska-Susitna Borough Assembly adopted Ordinance Serial No. 22-008 approving the PACE Program Report which set forth terms and conditions of the Borough's Program.

On June 30, 2022, Governor Dunleavy signed House Bill 227 into law. This Bill included several changes to the state program including allowing new construction projects to qualify for PACE funding; adding resiliency projects; allowing C-PACE refinancing with a two year "look back" period; considering a property's "market" value rather than assessed value; and eliminating the

Savings-to-Investment Ratio and extending the maximum loan term from 20 to 30 years.

Having a PACE program encourages private sector investment and improves building stock by offering an additional voluntary financing mechanism to commercial and industrial property owners in the Mat-Su Borough seeking to make energy efficiency, renewable energy and resiliency improvements. Banks, credit unions, and specialty private capital firms, also known as capital providers, finance C-PACE projects. To date, 38 states and Washington D.C. have enabled PACE legislation. The Matanuska-Susitna Borough would be the second local government to offer a PACE program in Alaska.

The PACE Program is an innovative financing program that enables owners of new construction and existing commercial and industrial properties to obtain low-cost, long-term financing for energy efficiency, resiliency improvements, and renewable energy retrofits. PACE financing is intended to cover the full costs of eligible improvements, with little or no up-front out-of-pocket cost to the owner. Repayment is made through assessment payments on the property, similar to a Natural Gas Local Improvement District (LID) assessment.

Generally, as with other special assessments in Alaska, the assessment under a PACE program is secured by a lien on the property and is paid back over time. Like other special assessments, PACE is non-accelerating, meaning current or past due annual assessment payments will be collected each year while future assessment payments stay with the property. The PACE repayment obligation transfers automatically to the next owner if the property is transferred or conveyed, or may be voluntarily prepaid. In other words, the unique characteristic of PACE assessments is that the assessment is attached to the property rather than an individual. This arrangement allows property owners to spread the cost of improvements, such as energy-efficient boilers, upgraded insulation, and resiliency measures for earthquakes, fires, and windstorms, over the entire expected life of the improvement.

The State of Alaska C-PACE (commercial property assessed clean energy) program allows for third party administration of PACE programs within Alaska. In many states with existing PACE programs, there is a statewide PACE administrator that oversees and reviews applications for projects in various municipalities. That is not currently an option in Alaska. It is staff's recommendation that until a statewide third party administrator is set up that the Mat-Su partner with the Municipality of Anchorage, which has an existing PACE program, to review and administer PACE applications that lie within the Matanuska-Susitna Borough boundaries. Staff is currently working with the Municipality of Anchorage on a third-

party agreement. Using a qualified entity as an independent third party administrator will enable the Borough's PACE program to be administered with little use of borough resources. The Mat-Su PACE program will abide by all law set out in the PACE Act (AS 29.55.100 - .165) and guidelines found in the Alaska C-PACE Program Handbook.

Per A.S. 29.55.100, a local government must follow four steps to establish a PACE Program: Step one was fulfilled by Resolution Serial No. 21-076; step two is to provide a PACE Report that provides the details of the program; step three requires holding a public hearing on the PACE Report; step four is adopting an ordinance establishing the program and the terms of the program.

Ordinance Serial No. 22-100 is the final step in the process. If adopted, it will establish the program in Borough Code. Once the program is established in Borough Code, staff will move forward with the Municipality of Anchorage to develop a memorandum of agreement to become the Borough's third party administrator of PACE programs within Alaska.

**RECOMMENDATION OF ADMINISTRATION:** Adoption of the Ordinance as presented.