



HB 5011 and HB 5012: Summary

What is Commercial PACE Financing? Commercial Property Assessed Clean Energy or commercial PACE is a financing tool that provides commercial property owners access to long-term, fixed-interest-rate financing that makes energy saving projects cost effective by matching the term of the loan with the payback period of the energy project. Local governments that establish a commercial PACE program simply agree to use the property tax assessment mechanism to make the lenders' investments more secure.

Commercial PACE is good policy: In 2010, Michigan passed PA 270 (the "PACE Act") to allow PACE financing for commercial properties across the state. Legislators recognized that Michigan's building stock is aging and inefficient and that energy efficiency measures stand to save businesses money, create jobs, and spur economic development.

Let's Build on Michigan's Commercial PACE Success: Increasing energy costs, inefficient buildings, and lack of access to capital mean many commercial building owners waste money and energy every day. Since 2010, commercial PACE financing has enabled nearly \$100 million in financing for energy-saving projects across Michigan.¹ Commercial PACE financing programs have now been established in 49 jurisdictions covering over 75% of Michigan's population.² Michigan's program has shown that commercial PACE financing can work as a reliable source of financing for businesses across the state.

So Why the Legislation? House Bills 5011 and 5012 update Michigan's commercial PACE statute with best practices that will make commercial PACE financing more accessible, enabling building upgrades, spurring investment, and creating jobs. The bills make it easier and clearer to use commercial PACE financing for new construction projects, allow for more flexibility for commercial property owners, and limit unnecessary costs to projects by allowing building owners to waive the right to an energy savings guarantee.

HB 5011 allows borrowers renovating existing buildings for energy savings to waive the originally required energy savings guarantee. The bill also requires new construction energy projects using commercial PACE financing to exceed the energy code.

HB 5012 enables commercial PACE financing to be used for new types of building improvements including water usage and environmental hazard mitigation for commercial, industrial, agricultural, and large multi-family residences.

¹ Lean & Green Michigan. Available <https://leanandgreenmi.com>.

² Lean & Green Michigan. Available <https://leanandgreenmi.com>.