

# PACE Financing with Lean & Green Michigan

**Lean & Green Michigan** is a public private partnership that helps local governments administer PACE financing for property owners in their communities with **no government funding**.

## What is PACE?

Property Assessed Clean Energy financing allows private and commercial property owners to voluntarily enter into a special assessment agreement to secure private financing for energy efficiency, water efficiency, and renewable energy projects.

## Benefits

- Long-term financing up to 25 years or the useful life of the project
- No upfront cost – 100% financing
- Immediate positive cash flow
- Runs with the land, transferring to subsequent owner upon sale of the property
- Fixed interest rate (negotiated on each deal)
- Improve local building stock
- Increase property value
- Create local jobs
- More comfortable buildings

## Eligibility

### Qualifying Properties:

- **Commercial & industrial properties:** manufacturing facilities, hotels, office buildings, multifamily properties, and more.
- **Non-profit properties:** churches, private schools, cooperatives, and more.

### Qualifying Measures:

- **Energy efficiency:** lighting, HVAC, controls, Windows, and more.
- **Water efficiency:** low flush, low flow, gray water system, and more.
- **Renewable energy:** solar PV, geothermal, CHP, and more.

## Quick Links

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### Contact Lean & Green Michigan

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Michigan PACE Authority





Lean & Green Michigan, LLC (LAGM) is committed to providing the Lean & Green Michigan PACE program to Michigan municipalities, townships, and counties at no taxpayer expense. We are happy to answer any questions about PACE you may have, and have created this list of the steps involved in creating and running a PACE program to address some of the common questions we have been asked by other jurisdictions.

### **Joining Lean & Green Michigan**

#### **1. Creation of Lean & Green Michigan program**

- We have created a statewide market that brings the benefits of advertising, communications, ease-of-use and scale to participating counties.
- Our member jurisdictions pay nothing for any of these benefits.

#### **2. Drafting and passing legislation**

- LAGM provides draft legislation and modifies it to suit the specific legislative needs at no charge to the member jurisdiction.

#### **3. Process for joining**

1. Pass Resolution of Intent (Draft provided by LAGM)
2. Publish PACE Report (Draft provided by LAGM)
  - Includes naming “Authorized Official”
3. Issue Notice of Public Hearing (Draft provided by LAGM)
4. Hold public hearing and vote on Resolution to Establish (Draft provided by LAGM)

### **How a PACE Project Happens (including any local government involvement)**

#### **1. Educate building owners, energy contractors, economic developers, and others. (No cost/involvement from City or local government)**

- LAGM undertakes an ongoing communications and training program for our member jurisdiction and other participating townships, municipalities, and counties.
- To date, over 120 people from over 85 companies have been trained.
- Non-profit members of the Lean & Green Michigan public-private partnership have received grants to train various constituencies in participating counties.
- Our member jurisdictions bear none of the cost for this.

## 2. The application process

- LAGM works with PACE customers to evaluate potential projects and help them apply for the program and submit necessary paperwork. This includes determining eligibility.
- Property owners/contractors typically reach out to Lean & Green Michigan directly.
  - *Local government typically provides information and point of contact for questions regarding PACE and Lean & Green Michigan. Typically, this will be featured on the City government website. Still, you can just direct all questions to LAGM and Lean & Green Michigan as you choose.*

## 3. Audit and Project Analysis

- If needed, LAGM connects the property owner with a contractor or multiple contractors that can help with a more detailed analysis and audit.
- Contractor performs energy audit
- LAGM aids in economic analysis of project
- Details of Energy Conservation Measures and the projected savings are presented to the property owner with a total dollar amount for the project including labor and all admin fees.

## 4. Project closing

- LAGM works with property owners and lenders to develop all documentation necessary to close a PACE project.
- LAGM obtains or provides the legal services necessary to create a complete, finished Special Assessment Agreement for each project.

## 5. Project finance (No cost/involvement from County or local government)

- Our member jurisdictions will not be asked to contribute money to facilitate PACE projects. There will be no taxpayer dollars involved.
- Projects will be financed using owner-arranged financing using private capital.
  - The property owner works with LAGM to identify a lender (LAGM works with a network of lenders, but any lender can participate if they so choose)

## 6. Installation of ECMs (No cost/involvement from City or local government)

- Contractor performs the work
- Property is enrolled in Energy Star Portfolio Manager. This free service allows property owners and LAGM to track energy usage.

## 7. Processing of PACE payments

- **Direct pay (No cost/involvement from County or local government)**
  - If the property owner pays the lender directly, the City will incur no cost and will have no involvement. This is the program default, and we have yet to have a property owner/lender willing to pay for additional cost associated with billing through property tax bill.
- **Through property tax bill**

- *If the property owner pays the lender through the property tax bill, the local unit of government may add a fee to reflect actual administrative cost, so that there is no net cost.*
- *The actual procedure is carried out by the local government unit (City/Village/Township) in the same way that a typical special assessment would be added to the tax roll.*

## 8. Foreclosure

- A foreclosure on a PACE project is unlikely because PACE lenders only finance projects on healthy buildings. Of over \$100,000,000 in PACE projects in the U.S. to date, **we do not know of a single Commercial PACE foreclosure.**
- In the event of a default, the City will enforce the PACE lien on a coequal basis along with the property owner's other property tax obligations.
- The City/County does *not* have to include the PACE lien in its revolving fund program.
- Foreclosure and sale of the property:
  - If the property is sold for back taxes or greater, the PACE lender receives the back taxes it is owed and the City/County loses nothing.
  - If the property is sold for less than back taxes, the PACE lender receives only its pro rata share of the sale proceeds, not everything it was owed. Other entities owed back taxes also receive their pro rata share, which may be slightly more or less than they would have been if there had been no PACE lien (PACE improvements may have increased the sale price).
  - If the property cannot be sold, the PACE lender receives nothing, and again the PACE project does not cause the loss of any taxpayer money.
- It is important to remember that the PACE lien runs with the land, so the PACE lender is *never* owed future PACE payments. The future owner pays those.
- **Bottom line: the taxpayers are not putting any money into the PACE project, and the PACE lender is taking the risk.**

## 9. Ongoing monitoring, verification and maintenance (No cost or involvement from local government)

- Buildings undergoing PACE projects in our member jurisdictions must agree to enroll in the Energy Star Portfolio Manager program to monitor energy costs and savings.
- This program is free.
- Building owners may enter into maintenance contracts as part of PACE projects, but these will be between private parties.
- No taxpayer dollars will be involved.