August 3, 2020

Massachusetts Launches New Financing Program for Property Owners Looking to Implement Energy-Related Improvements

On July 28, MassDevelopment and the Massachusetts Department of Energy Resources announced the launch of Property Assessed Clean Energy (PACE) Massachusetts, a low-cost financing option for Massachusetts property owners looking to make capital improvements that will reduce energy consumption.

To qualify for this favorable state financing, certain criteria must be satisfied. First, the financing program applies only to capital improvements on commercial and industrial buildings, multifamily properties with five or more units, and buildings owned by nonprofits. Second, applicants must demonstrate that the proposed projects will result in energy savings at least equal to the cost of the improvements. Third, the financing, which can be for a term of up to 20 years, must be used for equipment that is specifically intended to reduce energy consumption, such as energy-efficient upgrades, renewable generation (e.g., solar panels) or gas line extensions.

Repayment of the financing from PACE Massachusetts will be accomplished through a betterment assessment levied by the municipality on the property, and secured by a lien on the property. The municipality will thereafter bill and collect the assessments through its property tax bills, and remit those amounts back to PACE Massachusetts and its third-party capital sources. If the property is sold before the financing has been fully repaid, the assessment remains in place and transfers to the subsequent property owner.

This financing is available only to property owners in Massachusetts cities and towns that have opted into PACE Massachusetts through a majority vote of the city/town council or board of selectmen, as applicable. As of the date of this alert, 21 Massachusetts communities had opted in to the program: Acton, Agawam, Amesbury, Barnstable, Devens, Erving, Fall River, Fitchburg, Gardner, Greenfield, Lexington, New Bedford, North Adams, Northampton, Orange, Pittsfield, Randolph, Rockland, Wendell, West Springfield, and Yarmouth.

The Baker-Polito administration is hopeful that the PACE Massachusetts program will have a meaningful impact on Governor Baker's goal of having net zero emissions for the state by 2050.

The PACE program utilizes an open-market third-party financing model, allowing borrowers to choose which lending institution they would like to provide the PACE financing. Property owners interested in taking advantage of the PACE program should check with their existing capital sources to see if they are registered with PACE Massachusetts, as this may ease the application and underwriting process. For those who do not have existing relationships with registered capital sources, MassDevelopment will provide a list and allow the borrower to choose. Interested participants are strongly encouraged to contact MassDevelopment prior to submitting applications, and of course, Day Pitney is available to answer any questions related to the program.

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