



Policy on PACE Express

as of October 30, 2023

General

PACE projects with an assessment of \$250,000 or below (each, a “PACE Express Financing”) have fewer statutory requirements than PACE projects with an assessment in excess of \$250,000. Therefore, Lean & Green Michigan (“LAGM”) has created an expedited PACE product for deals of this size to reduce the cost of PACE, both from a fee and legal cost standpoint (“PACE Express”). In order to encourage the ability to deploy the benefits of PACE projects below the statutory threshold of \$250,000, LAGM has prepared a locked model closing document packet, which several lenders have agreed to use, and which will result in an expedited closing process for project financing.

Requirements

Among other requirements, Michigan’s Property Assessed Clean Energy Act of 2010 requires that PACE projects over \$250,000 (each, a “PACE Financing”) achieve a savings-to-investment ratio (“SIR”) greater than 1, which SIR is required be guaranteed by the contractor pursuant to a savings guarantee (“Savings Guarantee”).

PACE Express Financing projects are not subject to the requirements of the SIR or Savings Guarantee. They remain subject to all other requirements under the statute, including:

- Property must be privately owned commercial or industrial real property, including multi-family residential property.
- Property must not be delinquent on any taxes, special assessments, or water or sewer charges on the property. MCL 460.941(2)(a).
- Property must not be delinquent on any assessments on the property under a PACE program. MCL 460.941(2)(b).
- The term of assessment shall not exceed the lesser of the useful life of the energy project paid for by the assessment or 25 years. Projects that consist of multiple energy efficiency improvements or renewable energy systems with varying lengths of useful life may blend the lengths to determine an overall assessment term that does not exceed the useful life of the improvements in aggregate. MCL 460.939(i).
- An appropriate ratio must be determined for the amount of assessment in relation to the assessed value of the property. MCL 460.939(j).
- Written consent from the mortgage holder must be obtained if the property is subject to a mortgage. MCL 460.939(k).
- A baseline energy audit must be conducted for the property that is approved by LAGM. Such approval may be granted retroactively if the audit meets the standards of LAGM. MCL 460.939(o). ASHRAE Level II is acceptable.

LAGM conducts a review of the proposed project as part of the application process, to ensure

compliance with the above requirements. Property Owners with PACE Express Financing projects may choose to utilize one of two methods to proceed to a closing and the creation of the special assessment:

1. **Standard PACE:** Property Owners may elect to follow the standard PACE route, and fully negotiate unique set of documents for the creation of the special assessment, including the required Special Assessment Agreement (“SAA”) executed by the Property Owner, lender, and local jurisdiction. These projects will be subject to full LAGM closing fees:
 - a. Closing fee: 2% of the project costs
 - b. Administration Fee: 25 bps, incorporated into the interest rate, for the term of the financing
 - c. Legal Fee: \$5,000.00 due at closing

2. **PACE Express:** Property Owners may elect to follow the PACE Express route. This route includes a pre-negotiated set of documents, which LAGM, participating lenders and member jurisdictions have agreed to. LAGM will complete the Special Assessment Agreement with the project specific data and provide it to all parties for review. Terms contained within the SAA will not be negotiated or modified in any manner. These projects will be subject to reduced LAGM closing fees:
 - a. Closing fee: 1.5% of the project costs
 - b. Administration Fee: None
 - c. Legal Fee: 2% of the project costs (subject to a cap of \$2,500.00), due at closing

PACE Express Application Process

The PACE Express Application Process is similar to the traditional PACE process. The Property Owner submits the necessary documents, with the aid of a PACE contractor and PACE lender. LAGM is available to assist the Property Owner at all stages of the process and will assist in identifying contractors and participating lenders.

The Property Owner submits the PACE Express Application, which is appended to this policy document, and is also available by emailing info@leanandgreenmi.com. The application does require the submission of supporting documentation, including:

- Proof of Property Value – established by either 2xSEV or a 3rd party appraisal.
- ASHRAE Level 1 Energy audit, including (i) a demonstration of energy savings and (ii) useful life determinations of all ECM’s. An equivalent baseline energy audit performed on the property may be submitted but must be approved by LAGM prior to completion.
- Current Mortgage Statement and Lender Consent from Mortgage Holder
- Property Tax Record (LAGM will assist in retrieving current property tax information)
- Title Report



LAGM will work with the Property Owner, lender, and contractor to complete their review of the submitted information and will generate the SAA based on the information provided. All Parties will have a chance to review the final document package for information accuracy and will close on an agreed upon date. LAGM will coordinate the execution of documents and will record the fully executed SAA with the appropriate Register of Deeds.

Participating Lenders:

LAGM will maintain a list of participating PACE Express lenders on its website, <https://leanandgreenmi.com/additional-pace-lenders/>.