

**SUBJECT:** A RESOLUTION OF THE MATANUSKA-SUSITNA BOROUGH ASSEMBLY ESTABLISHING THE RATES AND FEES FOR THE MAT-SU COMMERCIAL PROPERTY ASSESSED CLEAN ENERGY AND RESILIENCE PROGRAM

**AGENDA OF:** September 26, 2023

**Assembly Action:** Approved under the consent agenda 09/26/23 - BJH

**AGENDA ACTION REQUESTED:** Present to the Assembly for consideration.

Route To	Signatures
Originator	<div style="text-align: right; font-size: small;">9 / 1 3 / 2 0 2 3</div> <p>X P a m e l a G r a h a m</p> <hr/> <p><small>Signed by: Pamela Graham</small></p>
Department/ Finance Director	<div style="text-align: right; font-size: small;">9 / 1 3 / 2 0 2 3</div> <p>X C h e y e n n e H e i n d e l</p> <hr/> <p><small>Signed by: Cheyenne Heindel</small></p>
Borough Attorney	<div style="text-align: right; font-size: small;">9 / 1 3 / 2 0 2 3</div> <p>X N i c h o l a s S p i r o p o u l o s</p> <hr/> <p><small>Signed by: Nicholas Spiropoulos</small></p>
Borough Manager	<div style="text-align: right; font-size: small;">9 / 1 3 / 2 0 2 3</div> <p>X M i c h a e l B r o w n</p> <hr/> <p><small>Signed by: Michael Brown</small></p>
Borough Clerk	<div style="text-align: right; font-size: small;">9 / 1 4 / 2 0 2 3</div> <p>X L o n n i e M c K e c h n i e</p> <hr/> <p><small>Signed by: Lonnie McKechnie</small></p>

**ATTACHMENT (S):** Resolution Serial No. 23-096 (2 pp)

**SUMMARY STATEMENT:** The purpose and intent of the attached resolution is to establish fees or the Mat-Su C-PACER program in accordance with MSB 3.26.050.

**BACKGROUND-MAT-SU and C-PACE:** On June 30, 2022, Governor Dunleavy signed House Bill 227 into law. This Bill included several changes to the state C-PACE program including rebranding as C-PACER, allowing new construction projects to qualify for PACE funding; adding resiliency projects; allowing C-PACER 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 Municipality of Anchorage was the first local government to adopt and implement the Alaska C-PACER program and through their program the \$5.5 million C-PACER loan for the Aviator Hotel in Anchorage was closed. The Matanuska-Susitna Borough is 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.

On September 27, 2022, the Assembly adopted Ordinance Serial No. 22-100 establishing MSB 3.26 Property Assessed Clean Energy (PACE) Program. The intent at the time of adoption was for the Mat-Su C-PACE program to be run and administered by the Municipality of Anchorage, or another third-party administrator. Due to staffing changes at the Municipality of Anchorage and the delays in the designation of a statewide third-party administrator, that intent

has not been realized. Based on that and the interest in the program by capital providers, contractors, and property owners, it was determined that the borough will be administering the program with existing staff until a third-party administrator is appointed at the state level or we hire a contractor to administer the program.

MSB 3.26.050 allows for the Borough to impose fees to offset the costs of administering the PACE Program. The Borough did not adopt a fee schedule at the time of program adoption, and staff is proposing that the fee schedule established by the Municipality of Anchorage C-PACER program be used as the basis for the Mat-Su C-PACE program fee schedule.

This resolution will set fees that will cover the cost of administering the PACE Program internally, or the cost of a contracted third-party administrator, if hired. The fees also include costs associated with the annual assessment notices.

**RECOMMENDATION OF ADMINISTRATION:** Respectfully request approval.