



CITY OF CAMBRIDGE

Office of Sustainability

Date: October 29, 2024
To: Yi-An Huang, City Manager
From: Julie Wormser, Chief Climate Officer
Re: Policy Order 2024 #119. That the City Manager is requested to work with relevant departments to provide a status update on the implementation of the PACE program and provide resources and information for property owners; and provide any recommendations for expanding PACE adoption

I am writing in response to Policy Order 2024 #119 to provide an update on the status of the implementation of the PACE program in Cambridge, including the provision of information about the program to property owners.

Background

Property Assessment Clean Energy (PACE) Massachusetts is a statewide program to help commercial, industrial and multifamily (5+units) property owners in Massachusetts finance energy improvements for new construction and existing building retrofits.

The program lets commercial building owners agree to a betterment assessment and lien on their property, sufficient to repay the financing extended by a private capital provider. If the property is sold before the financing has been repaid, the assessment stays and is transferred to subsequent property owners. A betterment assessment is generally a tax imposed upon real property receiving a municipal benefit or advantage from a public improvement, other than the general advantage to the community at large (such as a particular sewer line benefitting a few particular properties). PACE uses a similar mechanism (i.e., a lien, not a loan) to enable property owners to incur a betterment assessment on their property for clean energy improvements, rather than an additional mortgage upon their property for such improvements. PACE enables owners to use future energy savings to undertake more comprehensive energy upgrades with financing terms up to 20 years.

PACE was launched by the State in 2020. Currently, 72 communities have opted into PACE Massachusetts. PACE has, so far, been used to finance two projects statewide - an office building in Greenfield and a mixed-use office-warehouse in East Boston.

Timeline of PACE Implementation in Cambridge

On August 7, 2023, City Council adopted PACE as a participating municipality.

In June 2024, the City entered into the Municipal Assessment and Assignment Agreement with the Massachusetts Development Finance Agency (MassDevelopment), which administers PACE in consultation with the Massachusetts Department of Energy Resources (DOER). This agreement outlines the City's and MassDevelopment's process for levying the PACE betterment assessment and recording the corresponding PACE lien on Cambridge properties that qualify for PACE financing. With this agreement in place, Cambridge building owners can apply for PACE through MassDevelopment.

The Law Department worked closely with MassDevelopment to ensure that our Agreement

included provisions around affordable housing properties. Namely, no properties subject to any affordable housing requirements or restrictions will be eligible for financing through PACE without the prior written consent of the City. Furthermore, any affordable housing requirements on affordable housing properties shall have priority over any PACE Lien, regardless of the timing, and any such affordable housing requirements or restrictions shall survive the foreclosure of any PACE Lien.

Information for Property Owners and Identifying Ways to Expand Adoption

To provide information to commercial, industrial, and large multifamily property owners, OOS posted information about PACE on the Cambridge [Building Energy Retrofit Program webpage](https://www.cambridgema.gov/Services/buildingretrofitprogram) (<https://www.cambridgema.gov/Services/buildingretrofitprogram>) that provides resources for Building Energy Use Disclosure Ordinance (BEUDO) building owners. Our webpage links to the detailed information, resources and application materials available on [Mass Development's website](https://www.massdevelopment.com/products-and-services/financing/green-finance/pace/) (<https://www.massdevelopment.com/products-and-services/financing/green-finance/pace/>).

The Office of Sustainability (OOS) will promote PACE to building owners who are likely to be interested in using PACE, via a few different channels:

- We will share information about PACE with BEUDO building owners through the notifications published via the BEUDO owners list serv.
- As we build out an online resource hub to help BEUDO building owners plan for compliance, we will include information about financing options for building efficiency and electrification projects. Information about PACE will be included in this section of the resource hub.
- The City's Electrify Cambridge program works with residents to help implement electrification projects in their homes or buildings, and this includes identifying incentives and financing. Larger multifamily buildings owned by a single entity (as opposed to being held in condo ownership) are eligible to use PACE, and the Electrify Cambridge technical advisors will share information about PACE to these properties when they are exploring financing options.

Looking ahead, OOS is working in FY25 to identify financing challenges and opportunities for building decarbonization, as a key action item of the Net Zero Action Plan. An examination of PACE and which buildings can most directly benefit from it will be included in this work.