

FREMONT PACE DISTRICT

Program Manual

SUMMARY

Property Assessed Clean Energy, or PACE, is a financing tool enabling development of clean energy projects and energy efficient buildings and operations. Nebraska State Law {Nebraska Revised Statute Sections 13-3203 and 13-3204(3)} allows for the creation of Clean Energy Districts and defines PACE-eligible projects. City of Fremont Ordinance No. 5517 passed by the Fremont City Council on January 28, 2020, created the Fremont PACE District (FPD) and provides further requirements for implementation of a PACE program in Fremont. The City Ordinance also directs the District Administrator (or an approved designated representative or third-party administrator) to create an approved program manual that describes the application process, eligibility and other relevant program guidance. This FPD Program Manual was created to satisfy that requirement.

The State law and the City ordinance provide the minimum requirements for a PACE application and project, as well as the circumstances under which an application or project will not be eligible for PACE financing. This program manual provides guidance for the program and clarification on topics not specifically addressed by either the State Law or City ordinance.

The intent of this program is to incentivize the reduction of energy, water, wastewater and solid waste usage/generation in our community. The City of Fremont views PACE as a tool to encourage developers and property owners to go beyond the requirements of energy and building codes to achieve meaningful reductions in energy and water use and waste generation.

Terminology

It should be noted that references to “energy project”, “energy efficiency” or “energy savings” throughout this document are intended to include projects, efficiencies and savings associated with energy, water, wastewater, solid waste, storm water or other eligible utility projects or equipment under the FPD program consistent with this section.

Boundaries of the FPD

Currently, only qualifying projects located within the Fremont city limits are eligible for PACE financing. Other local government jurisdictions within the State of Nebraska may join the FPD upon establishment of an inter-local agreement.

Eligible Property Types

Although State Law allows for commercial, industrial, residential, and agricultural projects to be eligible for PACE; at this time, the City ordinance and the FPD program only allows for commercial (including properly permitted commercial multifamily and residential multifamily properties having more than four dwelling units) and industrial PACE projects.

Eligible Project Types

Projects including new construction and the rehabilitation of existing buildings and operations are eligible for PACE financing in the FPD. The types of project improvements eligible for PACE financing within the FPD include, but are not limited to the following:

- (a) Insulation in walls, roofs, floors, foundations, or heating and cooling distribution systems;
- (b) Storm windows and doors; multi-glazed windows and doors; heat absorbing or heat-reflective glazed and coated window and door systems; and additional glazing, reductions in glass area, and other window and door system modifications that reduce energy consumption;
- (c) Automated energy control systems;
- (d) Heating, ventilating, or air conditioning and distribution system modifications or replacements;
- (e) Caulking, weather-stripping, and air sealing;
- (f) Replacement or modification of lighting fixtures to reduce the energy use of the lighting system;
- (g) Energy recovery systems, including but not limited to, cogeneration and trigeneration systems;
- (h) Daylighting systems;
- (i) Installation or upgrade of electrical wiring or outlets to charge a motor vehicle that is fully or partially powered by electricity;
- (j) Facilities providing for water conservation or pollutant control;
- (k) Roofs designed to reduce energy consumption or support additional loads necessitated by other energy efficiency improvements;
- (l) Installation of energy-efficient fixtures, including, but not limited to, water heating systems, escalators, and elevators;
- (m) Energy efficiency related items (i.e. demolition/drywall replacement, etc. incident to efficiency equipment or material installation) so long as the cost of the energy efficiency related items financed does not exceed twenty-five percent (25%) of the total cost of the energy;
- (o) Any other installation or modification of equipment, devices, or materials approved as a utility cost-saving measure by the municipality;
- (p) Renewable energy systems including but not limited to the following:
 - (i) Nonhazardous biomass;
 - (ii) Solar and solar thermal energy;
 - (iii) Wind energy;
 - (iv) Geothermal energy;
 - (v) Methane gas captured from a landfill or elsewhere; and
 - (vi) Photovoltaic systems;
 - (vii) Renewable energy system does not include an incinerator;
 - (viii) Renewable energy resource does not include petroleum, nuclear power, natural gas, coal, or hazardous biomass.

Timing and Eligibility

Applicants are encouraged to submit an application to the FPD PACE program prior to, or concurrently with, the application for a building permit, the City will accept PACE applications for projects with an open building permit and/or not having received a final certificate of occupancy. PACE applications and instructions are available at www.fremontne.gov and are included in this manual as Attachment 1. Building permit applications and instructions are also available at: www.fremontne.gov.

Annual Assessment and Average Weighted Useful Life

Section 13-3203 (1) of the State law requires an “agreement to pay an annual assessment for a period not to exceed the weighted average useful life of the energy project.” The weighted average useful life includes only physical improvements to a property for which an average useful life may be calculated. Furthermore, the improvement must qualify as an energy efficiency improvement under Section 13-3203(3) of the Nebraska State law or other eligible improvement listed under “Eligible Project Types” (above).

Eligible Costs

Section 13-3205(1) of the State law states "the costs financed under the assessment contract may include the cost of materials and labor necessary for installation, permit fees, inspection fees, application and administrative fees, bank fees, and all other fees incurred by the owner pursuant to the installation."

Savings to Investment Ratio (“SIR”)

Nebraska State Law requires the savings realized by an energy project to equal or exceed the principal cost of the energy project. Therefore, an SIR of 1.0 or greater is required for all energy projects. The SIR is generally calculated by dividing the projected energy savings for the life of the improvements by the cost of the eligible energy efficiency improvements. When calculating the SIR, the SIR for individual discrete components of the project for which PACE funding is being requested must be provided. The City’s approval will be based on the total SIR for the entire project meeting an SIR of 1.0 or greater.

Applicants should include estimated operations and maintenance costs, and projected increases (escalations) in the cost of energy use, in the calculations.

The applicable City official(s) will evaluate the methodology used to determine the energy savings calculations. At this time, the City does not favor one methodology over another. However, please include in the application an explanation of the methodology used to determine the SIR. The City may prescribe a methodology at a future date.

Applicants may request a waiver of the SIR or estimated economic benefit requirement and must submit a rationale for this request along with the application, if they choose to request a waiver. The District Administrator, in conjunction with the PACE Review Committee’s recommendation, may grant or deny the applicant’s request for a waiver.

Energy Projects and Building Codes

The City requires an energy project to meet all relevant energy and building codes. However, for new construction, only aspects of the energy project that exceed energy and building codes are eligible for PACE financing in the FPD. Nebraska energy codes are presented at http://www.neo.ne.gov/home_const/iecc/iecc_codes.htm.

Costs associated with building to these requirements are eligible under the FPD with the exception of new construction which is required to exceed such requirements as referenced above. In both new construction and rehabilitation projects, an engineer must demonstrate that the savings generated by the energy project

will exceed the cost of the energy project through the life of the PACE loan, as required by State law for loans of \$250,000 or greater, unless a waiver is requested.

Verification of Completed Energy Project

Section 13-3204(m) of the Nebraska State Law requires the municipality to obtain verification that the renewable energy system or energy efficiency improvement was properly installed, inspected and is operating as intended. To meet these criteria, City Inspectors must sign off on components of the project for which they have jurisdiction. Additionally, a professional engineer licensed in the State of Nebraska must provide a letter to the applicable City official stating the systems or improvements were properly installed and are operating as intended.

Funding Level and Fees

The FPD fee structure is summarized in the following table:

Application Fee	Administrative Processing Fee	Annual Fee
\$1,000.00	1% of loan not to exceed \$40,000	\$500.00

The application fee is collected at the time of application. This fee is not refundable.

An administrative fee is due upon approval of the PACE project and must be paid no later than concurrently with distribution of funds at the time of closing on the PACE loan. The administrative fee shall be subject to a 50% reduction for a project requiring submission of Tax Increment Financing (TIF) fees.

The annual administrative fee will be collected throughout the life of the loan.

FPD Application Instructions

The City's PACE application is included in this manual as Attachment 1 and is also located at the following web address: www.fremontne.gov, along with other PACE-related resources.

Your completed applications should be submitted to:

City of Fremont
Lottie Mitchell, Pace District Administrator
400 E Military Ave
Fremont, NE 68025
(402) 727-2630

Applicants should, as best as they can, provide responses to questions within the application form, rather than relying on attachments. Attachments providing supporting data, drawings, and calculations are acceptable.

Provided below is clarification for specific sections of the application.

Project Details

Please describe the entire project, not just PACE components of the project. Please include drawings, maps, and photographs, when appropriate.

Financing Details

Applicants may add rows to the tables provided in this section.

A Professional Engineer licensed in Nebraska is required to validate the SIR methodology used as well as to determine/approve the energy savings calculations.

Other Topics

Applying for both PACE and TIF

If the property owner is applying for PACE and TIF funding, applicants should indicate as such on the application.

Who reviews the applications?

The District Administrator, the District Administrator's representative or a designated third party administrator will review the applications. Please direct inquiries and submit your application to the PACE District Manager.

Who approves the applications?

The City/FPD has established a five (5) member PACE Review Committee appointed by the Mayor. The Committee makes a recommendation to the District Administrator to approve or disapprove the applications or may request additional information from the applicant. The District Administrator will approve or disapprove the application based upon recommendations of the Committee and will provide a letter to the applicant with the decision.

What if a waiver of the estimated economic benefit requirement is denied?

If the applicant's request to waive the estimated economic benefit requirement is denied, the applicant may appeal the denial by submitting a request in writing to the City Clerk of the City. The appeal shall be mailed by certified mail or hand delivered to the City Clerk within fourteen days from the date of the denial. The City Clerk will place the item on the next City Council agenda for consideration. The City Council will review the matter on the record made by the PACE Review Committee and the District Administrator and, after providing the applicant a formal opportunity to be heard, the City Council will make the final decision as to the waiver.