



House Energy Committee

Testimony for HB 5011 & 5012 June 17, 2021

Good morning Representatives and thank you for allowing me to testify today.

My name is Todd M. Williams, and I am the President and General Counsel of Lean & Green Michigan, the public-private partnership which jointly administers the commercial Property Assessed Clean Energy (C-PACE) programs on behalf of 49 local governments around Michigan (29 counties, 20 cities/townships), representing over 76% of the population of Michigan.

At Lean & Green Michigan, we serve as experts on the Michigan PACE statute and, on behalf of our 49 member jurisdictions, we help all parties involved complete the C-PACE financing transaction in a manner compliant with the PACE statute. C-PACE, though approved by local governments, is largely a private market transaction where a private lender and sophisticated commercial/industrial borrower negotiate financing that is mutually acceptable to both parties.

To date, we have assisted with the financing for 47 C-PACE projects representing an investment of over \$89 million in Michigan. From Powers Distributing, a beer distributor in Orion Township, which used C-PACE to finance \$435,000 of LED lighting and a 95kW solar system in 2016 to our latest project, the Atrium Apartments in Oakland County, which used C-PACE to finance \$918,000 of a comprehensive upgrade to the complex, we have seen the C-PACE market continue to grow in Michigan.

Just this year, over the first 5 months of 2021 we have arranged financing of 10 C-PACE projects, representing over \$17 million of private capital invested in the future of Michigan. This already makes the 2021 one of the best years in Michigan PACE.

Often I think these two metrics, the number of projects and the overall amount financed, which are used to demonstrate the vitality of the market, only partially

demonstrate the true acceleration and growth of C-PACE in Michigan. In 2021 we have seen:

- the first C-PACE project financed in 4 local governments (Grand Traverse County, Bay County, Otsego County, and Delta County);
- with projects financed in 9 different jurisdictions (Grand Traverse County, Bay County, Otsego County, Delta County, Wayne County, Ingham County, Oakland County, Macomb County, and Saginaw County), with only Oakland having two projects this year to date;
- the projects financed by 6 separate PACE lenders – the most lenders in a single year;
- the enabling of C-PACE by Ottawa County in support of a potential \$8 million-dollar, new construction senior living facility anticipated to close yet this month;
- interest expressed by property owners in at least two jurisdictions this past month, which will need to enable of C-PACE to facilitate the participation of their projects;

In addition to what we have completed, we have a current pipeline of projects, those in which a property owner has reached out and expressed interest in moving forward with C-PACE financing of \$270,000,000.

These C-PACE projects has the potential to bring private capital to improve Michigan properties, creating jobs and promoting economic development. These projects incentivize cost-effective sustainability, by retrofitting existing buildings and building more energy-efficient new construction projects.

I think we are truly at an inflection point in PACE in Michigan. We have built a vibrant and growing C-PACE market, with steady growth of the footprint of PACE across Michigan and the success of each project begetting further success. Yet the current Michigan statute is one of the most restrictive in the nation.

In particular the amendment to the Savings-to-Investment and energy savings guarantee is in line with one of the most frequent requests I receive from property owners. I think it is important to remember that these property owners are sophisticated and represented by legal and financial advisors. They are well positioned to understand the cost, benefits, and risks associated with this type of project financings. The amendments will empower them to better control these costs and address the risks.

The increased clarity for new construction projects and the addition of the environmental hazard projects will allow PACE, and more importantly, private capital to bear.

These amendments offer commonsense updates to our statute; resulting in better control of project costs, greater flexibility of project design, and most importantly, increase access to PACE for property owners. They will truly empower property owners across Michigan.

Thank you for your time. I am happy to address any questions you may have.