

# ENCEAD PACE

## Program Guidance

Updated information presented in purple text.

## ENCEAD PACE

In Omaha, Property Assessed Clean Energy, or PACE is a financing tool to create clean energy projects and energy efficient buildings. Nebraska State Law allows for the creation of Clean Energy Districts and defines PACE-eligible projects. A City ordinance created the Eastern Nebraska Clean Energy Assessment District, or ENCEAD, and provides further structure for PACE in Omaha. The City ordinance also directs ENCEAD to create a program manual that defines the application process and eligibility requirement. This ENCEAD PACE 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 ENCEAD PACE 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 use and water consumption in our community. The City of Omaha views PACE as a tool to encourage developers and property owners to go beyond the requirements of energy and building codes to achieve meaningful energy and water use reduction. Although energy and building codes do have energy and water savings built into them, ENCEAD promotes projects that achieve a higher standard.

### Eligible Property Types

Although State Law allows for commercial, industrial, residential, and agricultural use, only commercial and industrial PACE projects are eligible in the ENCEAD.

### Eligible Project Types

Projects including new construction and the rehabilitation of existing buildings are eligible for PACE financing in the ENCEAD.

### Boundaries of the ENCEAD

Currently, only energy projects located within the Omaha city limits or its three-mile extraterritorial jurisdiction ("ETJ") are eligible for PACE financing.

Other local government jurisdictions may join the ENCEAD, upon request.

## Timing and Eligibility

Applicants must submit an application to the ENCEAD PACE program prior to, or concurrently with, the application for a building permit. At this step, the developer or consultant is required to provide program-relevant data to the City through both the ENCEAD PACE program and through COMcheck, <https://permits.cityofomaha.org/>.

There is an exception to the eligibility deadline. Qualifying energy projects that were under construction but did not have a Certificate of Occupancy ("CO") before July 19, 2016 are eligible for the ENCEAD PACE program. However, consistency with COMcheck is required. Information in the PACE application should not substantially differ from what was presented to the City through COMcheck.

Qualifying energy projects that were under construction and acquired a CO from the City prior to July 19, 2016 are not eligible for the ENCEAD PACE program.

## Energy Project

The term "energy project" is not defined in either the State law or City ordinance, however, we interpret this term to mean the items discussed in Section 3 of the State law.

Items generally addressed in Section 5 of the State law are not part of the energy project, but are allowable costs under the assessment contract.

## Annual Assessment and Average Weighted Useful Life

Section 3 (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 3(3) of the Nebraska State law.

## Assessment Contract

Section 5(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 that may be 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 cost of the energy project. Therefore, an SIR of 1.0 or greater is required for all energy projects.

## Calculating the Saving to Investment Ratio ("SIR")

Calculate the SIR by dividing the projected energy savings by the cost of the eligible energy efficiency improvements.

When calculating the SIR, please provide the SIR for individual components of the project. The City's approval will be based on the average SIR for the entire project.

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

A note on methodology: The City 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 a letter explaining the methodology used to determine the SIR. The ENCEAD may prescribe a methodology at a future date.

### Energy Projects and Building Codes

The City requires an energy project to meet all relevant energy and building codes. However, only aspects of the energy project that exceed energy and building codes are eligible for PACE financing in the ENCEAD. The City will confirm the data presented in the PACE application with the data submitted to COMcheck. Discrepancies between the two will be brought to the attention of the PACE applicant. The applicant will have an opportunity to address discrepancies in writing and to the PACE committee.

Current Nebraska energy codes are presented at [http://www.neo.ne.gov/home\\_const/iecc/iecc\\_codes.htm](http://www.neo.ne.gov/home_const/iecc/iecc_codes.htm). Costs associated with building to this standard are eligible under ENCEAD PACE. However, an engineer must demonstrate that the savings generated by the energy project will exceed the cost of the energy project, as required by State law.

Current building codes adopted by the City are presented at <https://permits.cityofomaha.org/codes-amendments>.

The City requires the use of COMcheck. Please visit the City's Permits and Inspections website at the following web address: <https://permits.cityofomaha.org/>.

### Verification of Completed Energy Project

Section 4(m) of the Nebraska State Law requires the municipality to obtain verification that the renewable energy system or energy efficiency improvement was properly installed and is operating as intended. To meet these criteria, City Inspectors must sign off on components of the project for which they may have jurisdiction. Additionally, a professional engineer licensed in the State of Nebraska must provide a letter to the City stating the systems or improvements were properly installed and are operating as intended.

### Fees

Applicants are responsible for the following fees.

**Application Fee.** The City charges a \$1,000 application fee at the time of application. This fee is not refundable.

**Administration Fee.** An administration fee of 1% of the total project cost or the loan amount, whichever is less, not to exceed \$40,000, is due upon approval of the PACE project.

The administration fee shall be subject to a 50% reduction for a project that is also responsible for TIF fees.

The TIF reduction to the administration fee is calculated before the cap is considered. *For example: an administration fee of \$54,000 is reduced to \$27,000 before considering the administrative cap of \$40,000.*

**Annual Fee.** An annual administrative fee of \$500 will also be collected.

## ENCEAD PACE Application Instructions

The ENCEAD PACE application is located at the following web address:

<https://planninghcd.cityofomaha.org/economicdevelopment/pace>, along with other PACE-related resources.

A link to the State law and City ordinance appear on this webpage, as well.

Your completed applications should be submitted to the City of Omaha Planning Department at

[ENCEAD@cityofomaha.org](mailto:ENCEAD@cityofomaha.org), or mail to: PACE, 1819 Farnam Street, Suite 1111, Omaha, NE 68183.

The PACE ENCEAD Committee reviews and approves applications. The Committee meets on or near the 21<sup>st</sup> of each month. Applications must be submitted on or before the last business day of the preceding month for consideration during the subsequent month's ENCEAD PACE Committee meeting.

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.

### **6. Project Details**

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

### **7. Financing Details**

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

A Professional Engineer licensed in Nebraska is required to determine/approve the energy savings calculations.

### **8. Mortgage and Lien Holder Information**

Please be deliberate and specific in the explanation of the interest rate and fees.

## Other Topics

### **Applying for both PACE and TIF**

If the project requires both PACE and TIF funding, applicants should indicate as such on the application.

### **Who reviews the applications?**

City staff review the applications. Please direct inquiries and submit your application to [ENCEAD@cityofomaha.org](mailto:ENCEAD@cityofomaha.org). Ms. Bridget Hadley is the manager of the City's PACE program. Her email address is [Bridget.Hadley@cityofomaha.org](mailto:Bridget.Hadley@cityofomaha.org) and her telephone number is 402-444-5150. The mailing address, if you prefer to use it, is ENCEAD, City of Omaha Planning Department, 1819 Farnam Street, Suite 1111, Omaha, NE 68183.

### **Who approves the applications?**

The City established a seven member PACE ENCEAD Committee. The Committee approves, disapproves, or may request additional information from the application. The District Administrator (the Director of the Omaha Planning Department) will provide a letter to the applicant indicating the decision of the Committee regarding the application or request additional information.

### **Interlocal Agreements**

The State law and City ordinance allow for interlocal agreement by and between the City and partner jurisdictions. Currently, the City does not have interlocal agreements with partner jurisdictions. The City is willing to enter into interlocal agreements to allow the ENCEAD PACE program to be used in areas outside its boundaries.

### **Regulations of Partner Jurisdictions**

When the City has entered an interlocal agreement with a partner jurisdiction, it is possible the City may have different building codes than partner jurisdictions. For projects located outside of Omaha, energy projects must meet all regulatory requirements of the partner jurisdiction. This includes building codes, zoning regulations, and all other applicable laws and regulations.

### **Application Approval for Partner Jurisdictions**

When the City has entered an interlocal agreement with a partner jurisdiction and if an ENCEAD PACE application is received for a project located within a partner jurisdiction, the application approval process includes an extra step.

1. Once the application arrives at the City, the City will send the application to the partner jurisdiction for review.
2. The partner jurisdiction will provide an opinion on the project to the PACE ENCEAD Committee.
3. The PACE ENCEAD Committee will consider the opinion of the partner jurisdiction when determining whether to accept or reject the application.