

# CITY OF NORFOLK 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 Norfolk Ordinance no. 5665 passed by the Norfolk City Council on May 18, 2020, created the City of Norfolk PACE District and provides further requirements for implementation of a PACE program in Norfolk. This manual describes the application process, eligibility and other relevant program guidance.

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 encourage the reduction of energy, water, and wastewater in our community as well as encourage the use of renewable energy systems. The City of Norfolk 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 to employ renewable energy systems.

### 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, storm water or other eligible renewable energy systems and utility projects or equipment under the PACE program consistent with this section.

### Boundaries

Currently, only qualifying projects located within the Norfolk city limits or its extraterritorial jurisdiction are eligible for PACE financing. Other local government jurisdictions within the State of Nebraska may join the PACE District upon establishment of an inter-local agreement.

### Minimum PACE Financing

\$250,000 is the minimum amount of PACE financing to be extended to projects within the City of Norfolk PACE District.

### 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 PACE program only allows for commercial (including multifamily residential property comprised of 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. The types of project improvements eligible for PACE financing 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 of the total cost of the energy;
- (n) Waste recycling systems and support equipment;
- (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

While applicants are encouraged to submit an application to the PACE program prior to or concurrently with the application for a building permit, the City of Norfolk will accept PACE applications for projects with an open building permit and/or not having received a final certificate of occupancy. The PACE application and instructions are available at [www.norfolkne.gov/government/departments/planning-and-development/PACE-financing](http://www.norfolkne.gov/government/departments/planning-and-development/PACE-financing) and are included in this manual as Attachment 1.

## 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, unless a waiver is granted. Therefore, an SIR of 1.0 or greater is required for all energy projects, unless a waiver is granted. 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 unless a waiver is granted.

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 will evaluate the methodology used to determine the energy savings calculations. Please include in the application an explanation of the methodology used to determine the SIR.

Applicants may request a waiver of the estimated economic benefit or SIR requirement and must submit a rationale for this request along with the application, if they choose to do so. The District Administrator 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. City Code Chapter 6 Article VIII contains Norfolk’s Energy Conservation Code at:

<https://norfolkne.gov/citycode/Chapters/Chapter%206.htm#ARTICLE%20VIII.%20%20ENERGY%20CONSERVATION>

Costs associated with building to these requirements are eligible under PACE with the exception of new construction which is required to exceed such requirements as referenced above.

### 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 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 PACE fee structure is summarized in the following table:

Application Fee	Administrative Fee	Annual Fee
\$1,000.00	1% of loan not to exceed \$25,000.00	\$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 shall be paid no later than at the time of closing of the PACE loan.

An annual fee will be collected throughout the life of the loan.

## 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.norfolkne.gov/government/departments/planning-and-development/PACE-financing](http://www.norfolkne.gov/government/departments/planning-and-development/PACE-financing) along with other PACE-related resources.

Your completed applications should be emailed to:

Valerie Grimes  
Planning & Development Director  
City of Norfolk  
309 N 5<sup>th</sup> Street  
Norfolk, NE 68701  
vgrimes@norfolkne.gov  
(402)844-2036

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 determine the energy savings calculations.

## **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?**

The District Administrator or the District Administrator's representative will review the applications. Please direct inquiries and submit your application to: [vgrimes@norfolkne.gov](mailto:vgrimes@norfolkne.gov).

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

The District Administrator approves or disapproves the applications or may request additional information from the applicant. The District Administrator will approve or disapprove the application based upon material submitted by the applicant. The District Administrator may consult with other city staff and the city attorney as part of the application review process.