

CLIENT ALERT



April 2010

Future Energy - PACE Legislation in Missouri

On Tuesday, April 6, a Missouri Senate committee passed an energy efficiency bill. This bill has also been voted out of the House. The proposed law, called PACE (Property Assessed Clean Energy), would allow municipalities to opt into a program that finances the costs of renewable energy and energy efficiency renovations for homes and businesses. Projects could range from large solar power systems to utility lines to biomass facilities to weatherization of homes.

The PACE program enables local governments to finance energy efficiency and renewable energy projects through the issuance of bonds or by structuring other sources of capital. Municipalities are familiar with these types of special taxing districts in the form of neighborhood improvement districts. Armstrong Teasdale has worked extensively with municipal financing districts (also known as "special tax" or "special assessment" districts) since their inception.

Although the publicly created PACE fund advances the project costs, participating property owners (programs would be voluntary) repay these amounts through a special property tax assessment, typically over a term of 20 years. The PACE financing structure combined with potential federal and state tax incentives and utility rebates can make renewable energy and energy efficiency renovations affordable and cost effective for individuals and businesses. If the property is sold before the end of the repayment period, the new owner inherits both the remaining repayment obligation and the financed energy improvements. The reliable stream of assessment payments can support bond issuances, enabling projects that are larger than municipalities might otherwise be able to support.

Although PACE legislation has been adopted in 19 states, it is only now being implemented in those states. Supporters argue that this renewable energy law will help jump start Missouri's economy, create in-state jobs, and reduce the energy costs of Missouri taxpayers.

Armstrong Teasdale's Future Energy Group is monitoring the progress of this proposed legislation and will report any significant developments. The Future Energy Group stands ready to provide advice and guidance to:

- **municipalities** who are interested in implementing the PACE legislation
- **renewable energy generators** interested in installing solar, wind, bio-fuel or other projects
- **real estate developers** who are developing or renovating "green" properties
- companies interested in learning about **federal tax incentives** that may be available for energy projects
- **underwriters** who will be partnering with municipalities in the issuance of PACE bonds.

Questions about this client alert can be directed to your usual Armstrong Teasdale contact attorney or any of the following attorneys:

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