PACE Financing in Kentucky

PACE financing is a dynamic and rapidly growing funding option for energy efficiency and renewable energy projects on commercial properties. PACE is unique in that the sole repayment is made via a special assessment added to the property’s existing tax bill.

History of PACE in Kentucky

In 2015, the Kentucky General Assembly passed legislation that allows cities and counties to create an Energy Project Assessment District (EPAD). Once an EPAD is created, it then allows a commercial property owner to voluntarily request a PACE special assessment to repay the private PACE lender. Currently, most of the larger metropolitan areas of Kentucky have active EPADs, along with a few rural areas. Because the sole repayment of a PACE loan is a special assessment added to the property owner’s tax bill, the following benefits are typically experienced:

- Traditional credit lines are preserved.
- No down payment is required (i.e., 100 percent financing).
- Long terms up to 30 years are available.
- Favorable fixed rates are combined with long terms to create low repayment amounts.
- For certain lease types, the PACE special assessment can be shared with tenants, as tenants will benefit from the energy savings resulting from the PACE-funded project.
- For new construction projects, PACE frequently replaces higher rate preferred equity or mezzanine financing, therefore, improving the cash flow of the project.

Notable PACE projects in Kentucky

First PACE project in Kentucky: $750,000 in upgrades to Ivy Knoll Retirement Community

PACE special assessments were used to finance rooftop solar panels, LED lighting, elevators, and heating and cooling systems for a senior living multi-story building in Covington (Kenton County). The first property owner to utilize PACE financing in Kentucky, the owner stated that “PACE allowed us to make many of the energy related improvements that we might have otherwise deferred.”

First new construction PACE project in Kentucky: $4.4 million in upgrades to RiverHaus multi-family development

PACE special assessments were used to finance several energy efficiency upgrades to a mixed-use, multi-family development in Covington’s Mainstrasse neighborhood. In addition to PACE, the overall project utilized a complex capital stack involving a city-owned parcel, ground lease and tax abatement monetized through an Industrial Revenue Bond. Deron Kintner, lead project developer for Flaherty & Collins, said, “PACE financing is a great fit for us, as we always build our projects in a high-quality and environmentally friendly, efficient manner.”

$279,000 rooftop solar installation to manufacturing facility in Appalachia Kentucky

PACE special assessments were used to finance a rooftop solar installation at Lion Protects, a rural manufacturing facility in West Liberty (Morgan County). The 25-year PACE term allowed the project to be cash flow positive from day one, while allowing the property owner to greatly benefit from the Federal Investment Tax Credit (ITC) and accelerated depreciation for which capital expenditures, such as solar arrays, are eligible.
How to implement PACE in Kentucky

1. Property owner works with a qualified contractor to determine the energy efficiency and/or renewable energy improvements that would result in energy savings.

2. Property owner contacts Bricker & Eckler to determine if the property is located within an active EPAD. If it is not, Bricker & Eckler will work with the local government to create an EPAD.

3. Property owner works with a PACE lender to structure and obtain financing approval to pay for the upfront costs of the eligible improvements.

4. Bricker & Eckler works with the local government to have the PACE special assessment levied and assigned to the PACE lender as repayment for the upfront financing.