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*afternoon*

Good ~~morning~~ and thank you for the opportunity to testify in support of SB1774, which would establish a commercial Property Assessed Clean Energy program in the Commonwealth. My name is Laura Canter, and I am the Executive Vice President for Financing Programs at MassDevelopment. With me is Rebecca Sullivan, our Senior Vice President for Institutional and Infrastructure Finance. MassDevelopment is the Commonwealth's finance and development authority, and would oversee this program if the bill is passed. Many of you here today, including this Committee's chairs, are likely familiar with our work with businesses, nonprofits, financial institutions, and communities to stimulate economic growth across Massachusetts through loans, bonds, grants, and real estate services. Our regional teams serve the entire Commonwealth from offices in Fall River, Springfield, Devens, Worcester, Lawrence and Boston.

MassDevelopment strongly supports SB1774. The Agency worked with Senator Joyce and the Division of Energy Resources on this bill, which would provide a workable PACE financing mechanism for energy efficiency improvements. This legislation authorizes a building owner to seek bond financing from MassDevelopment to finance energy-efficiency or renewable energy generation improvements to its facility. The city or town in which the building is located would levy a betterment on the property sufficient to pay for principal and interest payments on the bonds until they are paid off.

This structure allows property owners to make much-needed building improvements without having to take on additional mortgage debt. The municipality is paid the betterment by the property owner and pledges the betterments to repay the PACE bonds.

The statute requires responsible underwriting of projects including approval of each project by the Division of Energy Resources, and financial underwriting guidelines established by MassDevelopment. Energy savings would be sufficient to offset the PACE liens. Any bank or other lenders that had mortgage loans on the properties would also have to consent to the PACE financing. In the unlikely event that a PACE betterment was not paid when due, it would continue to accrue, and that obligation would survive foreclosure and/or a tax taking.

While PACE bonds may not be the answer to every energy-efficiency project, they would provide a solid tool in the Commonwealth's financial toolbox. PACE uses no public funds, and MassDevelopment has the capacity and knowledge to manage this program. PACE would complement our Green Loan Program, which bridges the gap between energy efficiency project costs and the rebates or subsidies provided by utility companies and state or federal incentive programs. MassDevelopment also launched MassMEC, the energy efficiency and purchasing consortium for manufacturers and other entities. Additionally, MassDevelopment administers Chapter 23L, the Local Infrastructure Development Program, which uses special assessments similar to PACE to finance public infrastructure.

I appreciate the opportunity to voice MassDevelopment's support for S1774. 30 states already have PACE enabling legislation, and MassDevelopment hopes that Massachusetts will seize this opportunity to help businesses lower their energy costs.

I also want to speak to H2889, which is also being heard today. H2889 would introduce a PACE financing mechanism similar to the one I just discussed but for homeowners instead of commercial and industrial properties. MassDevelopment does not support H2889 for two primary reasons. The first is that it tasks MassDevelopment with the underwriting of loans to individual homeowners, an area in which MassDevelopment has neither capacity nor expertise. Second, both Fannie Mae and Freddie Mac continue to be unwilling to buy home mortgage loans that have PACE liens on the properties, making the program unusable for most properties. MassDevelopment appreciates the intentions of H2889 but does not see it as workable in practice.

I am happy to answer any questions you may have. Thank you.