



Testimony to the Committee on Energy, Utilities & Technology
in support of

LD 340, An Act to Allow for the Establishment of Commercial Property Clean Assessed Clean Energy Programs

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Senator Lawrence, Representative Berry, and Distinguished Members of the Energy, Utilities & Technology Committee: My name is Amy Winston and I am the Director of State Policy at Coastal Enterprises, Inc (CEI). I reside in Edgecomb. On behalf of CEI, I am testifying today to express CEI's support for LD 340, "An Act To Allow for the Establishment of Commercial Property Assessed Clean Energy Programs."

CEI is a 43-year old Community Development Financial Institution (CDFI) with a mission of supporting good jobs, environmentally sustainable enterprises, and shared prosperity in Maine. CEI provides business advice and financing to approximately 2,000 entrepreneurs in Maine on an annual basis. In 2020, we advised 2,957 businesses and individuals and loaned over \$38.5 million to 78 businesses. In the energy and real estate sectors, CEI specializes in financing for small businesses, natural resources, and downtown community revitalization projects. Our business advisors provide operational assistance and workforce consulting to existing and new enterprises. Growing green enterprises is an integral part of our mission. Over the last three years, CEI has financed 101 green and environmentally sustainable businesses totaling \$34.8 million, loans and investments that leveraged another \$118.4 million in additional investment and helped to create and retain 1,767 new and existing jobs. These included clean energy projects, as well as deals in the agriculture, fisheries, and forestry industries.

CEI strongly supports a just transition to clean, renewable energy and more efficient buildings. With one of the nation's oldest building stocks, Maine needs all the tools it can use to help make these buildings more efficient and deploy renewable energy systems. In 2019, CEI and TNC (The Nature Conservancy) commissioned an independent analysis¹ of what is required for Northern New England to build a clean energy economy. The report identified C-PACE as a top recommendation for advancing clean energy investment and making renewable energy more available, accessible, and affordable in the region. It is an opportunity for state and local government to partner with contractors, developers, banks, and other financial institutions, to invest in local businesses, and reduce carbon emissions by making buildings more energy efficient.

C-PACE in Maine will enable commercial real estate and economic development projects to invest in energy efficiency and renewable energy. These investments have multiple benefits, including but not limited to: reduced carbon footprint and cleaner air, increased local property values and mortgage collateral value, lower electric costs for businesses and working families in rental housing, decreased energy costs and improved monthly cash flow. By tying the clean energy investments to the property, C-

¹ <http://www.ceimaine.org/wp-content/uploads/2019/02/VEIC-Clean-Energy-Investment-Report-January-2019-for-Distribution.pdf>

PACE also addresses a key disincentive for energy efficiency or renewable energy projects, where the property owner is reluctant to invest in these improvements if they feel they might move before realizing the cost saving benefits. This unique feature of C-PACE will help accelerate clean energy projects in Maine, as the financial benefits can be realized immediately. Finally, preservation of historic buildings and the existing building stock strengthens local businesses, revitalizes downtowns, creates jobs and enhances quality of place in rural, limited resource communities. The transition to renewable energy is central to both Maine's Climate Action Plan² and the state's new 10-year Economic Development Strategy.³ Additionally, C-PACE can help meet Efficiency Maine's goal of weatherizing 50% of Maine's businesses by 2030.

C-PACE will attract private capital to advance clean energy investment in Maine. While public funding may be used to leverage private capital, part of C-PACE's appeal is that public money is not needed to finance C-PACE investments as banks and specialty lenders are actively financing C-PACE projects. It would provide Maine businesses and property owners with another tool to make the critical investments required to lower their costs and reduce greenhouse gas emissions. This is timely, as commercial real estate is a large consumer of energy and contributes to 11% of Maine's overall greenhouse gas emissions each year. Access to C-PACE also increases the likelihood that inefficient and outdated commercial and industrial buildings will be repurposed.

Additionally, an important feature of the bill is that it requires lender consent as more than just a 'best practice' to protect senior lenders who participate. It acknowledges the pivotal role of banks and other financial institutions who serve vulnerable communities across Maine.

In a field that inherently deals with risk, C-PACE is appealing because it:

- requires no public funding
- is long term (up to 20 years as opposed to a conventional 7-10 year loan)
- is transferable in the event a building is sold
- qualifies any private lender, including conventional banks, to provide financing
- requires any financial institution with a lien, mortgage or security interest to provide written lender consent before C-PACE can be assessed (to protect senior mortgage holders)
- assessments do not accelerate, meaning that in the event of foreclosure, lenders are protected as the entire C-PACE loan amount is not due at once. Only payments currently due (or in arrears) are collected. provides flexibility to municipalities who may want to self-administer and to Efficiency Maine (EM) to contract with a 3rd party
- entrusts EM with a rulemaking process requiring consultation with stakeholders to establish terms and conditions needed for program success, including vendor certification and quality assurance

CEI recommends that program design, implementation and administration include updated input from lenders to assure the program's long-term success. The legislation calls for EM to develop and disseminate a model ordinance that can be tailored to the needs of municipalities to streamline program development and implementation. We also see value in the requirement that EM establish

² <https://www.maine.gov/future/initiatives/climate/climate-council>>

³ https://www.maine.gov/decd/sites/maine.gov.decd/files/inline-files/DECD_120919_sm.pdf

underwriting rules to protect banks from added exposure by requiring escrow where appropriate and ensuring that the term of financing does not exceed the useful life of the improvement being financed.

Thank you for the opportunity to testify on behalf of this bill. C-PACE is an opportunity to invest in energy efficiency and renewable energy and it makes good business sense. CEI urges the committee to vote yes on LD 340, *An Act to Allow for the Establishment of Commercial Property Assessed Clean Energy Programs*.