

Senate Commerce Committee

Aaron Jones 271-2609

SB 4, relative to commercial property assessed clean energy and resiliency (C-PACER).

Hearing Date: January 9, 2025

Time Opened: 1:34 p.m.

Time Closed: 1:48 p.m.

Members of the Committee Present: Senators Innis, Ricciardi, Murphy, McGough, Fenton and Reardon

Members of the Committee Absent : None

Bill Analysis: This bill replaces the energy efficiency and clean energy districts statute with a commercial property assessed clean energy and resiliency program.

Sponsors:

Sen. Innis

Sen. Reardon

Who supports the bill: Senator Daniel Innis, Senator Tara Reardon, James Key-Wallace (NH Business Finance Authority), Steve Duprey, Sam Evans-Brown (Clean Energy NH), Alexander Holderith (Governor Kelly Ayotte's Office), Mike Somers (NH Lodging & Restaurant Association), Matt Mayberry (NH Home Builders), Abby Bronson (NH Community Loan Fund), Brodie Deshaies (NH Municipal Association), Sarah Burke Cohen (NH Municipal Association)

Who opposes the bill: No one

Who is neutral on the bill: Katharine Cusack (Clean Energy NH)

Summary of testimony presented in support:

Senator Daniel Innis

- This bill was designed to streamline a funding process to enable more construction of commercial and multi-family housing developments.
- C-PACE refers to commercial property assessed clean energy programs. Funding is provided towards the energy portion of a building project.
- Money is provided through private lenders, municipal bonds, or public funds, and the financing is repaid through a property tax assessment.
- C-PACE is available in states with enabling legislation and active programs. Typically, local governments administer the program as well as handle the approvals.

- This bill would reduce upfront costs through financing thereby freeing up capital for other projects.
- Senator Innis stated positive cash flow from energy investments would be one tool to help address the ongoing housing situation.
- Statutorily, the New Hampshire Business Finance Authority (BFA) would serve as the central administrator to help streamline the program and relieve the burden placed on municipalities.
- This bill would clean up technical issues from the statute to make it easier for builders to access the program. The BFA, the NH Bankers Association (NHBA), the NH Municipal Association (NHMA), and the C-PACE Alliance, were involved in these revisions.

Steve Duprey

- Through C-PACE, the energy component of a building project is taken out of the first mortgage, and it is placed into the second mortgage which is equivalent to a municipal tax lien.
- In a \$10 million project, for example, a lender would like \$3 million down and \$7 million in the first mortgage. If \$2 million in energy were taken out, however, the first mortgage would become \$5 million.
- A second mortgage has a longer amortization period between 30 to 40 years, a higher interest rate, and the same effect as a tax lien.
- Mr. Duprey stated C-PACE has never been used in the state because there were so many caveats in the statute that it was unworkable.
- If the energy component is taken out, it becomes part of the capital stack. As a result, a builder may only need to put down 15 to 20 percent.
- Mr. Duprey said this would be the best tool to increase the amount of housing being built because it would reduce the equity and down payment needs of the first mortgage.
- There would be no burden placed on municipalities, and it would not affect the priority of mortgages.
- If this bill were passed, Mr. Duprey emphasized it would allow for-profit and not-for-profit developers to generate more projects.

James Key-Wallace, Executive Director, New Hampshire Business Finance Authority

- This bill would require no appropriation, it would not impact the budget, and it would be completely voluntary. It is a private lending program to private developments in communities that have chosen to opt in to it, and it does not have any mandates.
- About 22 states have active programs that are receiving hundreds of millions per year in capital investments into the energy portion of new developments.
- Under existing law, every participating town must write their own documents, run their own programs, and do their own billing. This bill would introduce the concept of BFA as the central administrator. Director Key-Wallace said every

state that has successfully run this program has helped guide lenders, projects, and municipalities at no cost.

- **Senator Innis** asked what the biggest impediments were to accessing money previously, and what this bill would fix to make it easier.
 - **Director Key-Wallace** said the existing law required the provider to file a mortgage. C-PACE, however, is a loan that is repaid through a tax bill; therefore, it is not a mortgage. This one word, for example, completely prevented transactions from moving forward.

Sam Evans-Brown, Executive Director, Clean Energy NH

- Mr. Evans-Brown said the challenge with these types of investments is that they have higher upfront investment costs that are amortized over a long period. Essentially, the cost of fuel is swapped with the cost of financing.

Summary of testimony presented in opposition: None

Neutral Information Presented: None

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Date Hearing Report completed: January 10, 2025