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COMMONWEALTH OF PENNSYLVANIA  
HOUSE OF REPRESENTATIVES

HOUSE COMMERCE COMMITTEE

HARRISBURG UNIVERSITY  
14TH FLOOR AUDITORIUM  
326 MARKET STREET  
HARRISBURG, PA

WEDNESDAY, APRIL 18, 2018  
9:05 A.M.

PUBLIC HEARING - SB 234 - PROPERTY ASSESSED CLEAN  
ENERGY PROGRAM

BEFORE: HONORABLE BRIAN ELLIS, MAJORITY CHAIRMAN  
HONORABLE GEORGE DUNBAR  
HONORABLE KEITH GREINER  
HONORABLE DUANE MILNE  
HONORABLE RYAN MACKENZIE  
HONORABLE DOYLE HEFFLEY  
HONORABLE CHRISTOPHER QUINN  
HONORABLE LEANNE KRUEGER-BRANEKY, MINORITY  
CHAIRMAN  
  
HONORABLE DONNA BULLOCK  
HONORABLE AUSTIN DAVIS  
HONORABLE CHRISTOPHER RABB

1		I N D E X	2
2	OPENING REMARKS		
3	By Chairman Ellis		3
4	PRESENTATION		
5	By Senator Blake		3 - 7
6	QUESTIONS		7 - 10
7	PRESENTATION		
8	By Senator Reschenthaler		10 - 12
9	PRESENTATION		
10	By Julian Boggs		13 - 17
11	By Gregory McQuaide		18 - 20
12	QUESTIONS		20 - 25
13	PRESENTATION		
14	By Ben Taube		25 - 33
15	QUESTIONS		33 - 41
16	PRESENTATION		
17	By Elizabeth Marx		41 - 47
18	By Olaf Hasse		47 - 53
19	QUESTIONS		53 - 56
20	PRESENTATION		
21	By Aaron Kraus		56 - 60
22	QUESTIONS		60 - 65
23	PRESENTATION		
24	By James Lauckner		65 - 69
25	By Khari Mosley		69 - 73
26	QUESTIONS		73 - 74
27	CONCLUDING REMARKS		
28	By Chairman		74
29			
30			
31			
32			

## P R O C E E D I N G S

1  
2  
3  
4  
5  
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7  
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CHAIRMAN ELLIS: Good morning, everyone. This is like teaching a college class. And there's a lot of seats in the front, but thank you because the way - I'm Representative Brian Ellis, Chairman of the Commerce Committee. And Co-Chair today is Representative Braneky. And we are having a hearing today on the Property Assessed Clean Energy Program, an issue that was brought to me five or six years ago. And about the normal pace of Harrisburg, we're actually now seeing it in legislation and going through the process.

And the bill - the question today is House - Senate Bill 234. The sponsors are representative Guy Reschenthaler and Senator John Blake. We're waiting for Senator Reschenthaler. But in the meantime, because we are on a tight crunch, we're going to go ahead and get started with Senator Blake.

So Senator, if you will.

SENATOR BLAKE: Thank you. First of all, Chairman Ellis, Representative Braneky, Representative Thomas, members of the House Commerce Committee, thank you for the opportunity to be before

1 you this morning.

2 I - on behalf of Senator Reschenthaler  
3 and myself, I appreciate you being here. And I know  
4 you have a very robust agenda, so I won't occupy as  
5 much time as perhaps I'd like. I'd rather leave it to  
6 some of the other experts who have some testimony.  
7 I think it's important to just call out the differences  
8 - market-driven initiatives, that is - that doesn't  
9 involve so much risk to taxpayers. The way the bill  
10 has been formulated by myself and Senator Reschenthaler  
11 and the way that we developed this bill and just in  
12 constant communication with stakeholders, including the  
13 Bankers Association. We have a lot of support from the  
14 National Contractors Association. We had information  
15 on the roll-out PACE in other states to try to identify  
16 best practices. And in all of our discussions we  
17 believe that the best place to start on this was in  
18 commercial, industrial and agricultural space.  
19 We kind of made those representations early on to all  
20 the stakeholders and developed legislation in  
21 Pennsylvania as well as the Bankers Association, and we  
22 feel we've got the best bill that has the broadest  
23 consensus.

24 It's important to draw attention to  
25 commercial PACE and residential PACE because I know

1 you'll hear about it and you have heard about a  
2 dialogue on the other side of the building.  
3 Commercial side is more Bankers Association. They  
4 support this because the underwriting standards are  
5 basically typical with conventional commercial lending  
6 and other commercial loan products. But the idea here  
7 is to allow local jurisdictions, local municipalities  
8 and counties the option or the options to designate a  
9 person to deal with PACE financing and terms, again  
10 focus on the commercial, industrial and agricultural  
11 space.

12                   If the owners of a property want to  
13 improve the efficiency of the lighting and water  
14 conservation, a new technology that's energy saving,  
15 that financing, very patient financing, can occur using  
16 private sector capital. And the amortization of that  
17 loan, properly underwritten by the banking community,  
18 will occur in the form of assessment of the property.  
19 It is a flat rate assessment. It's not based on  
20 millage. It's just based upon the underwriting and the  
21 amortization schedule. And the reason that the  
22 capitalization is because terms allow for the  
23 amortization of that loan in that it properly changes  
24 hands. It doesn't require it to be paid back  
25 immediately and then - you know, and then start it.

1 It's an opportunity for commercial property change of  
2 hands to continue and continue until the amortization  
3 occurs. So with a market-driven approach - and again,  
4 I'm just really happy that we've gotten as far in the  
5 process.

6 I had a - it's really worth stating that  
7 we had - I believe we had 29 responses in the Senate  
8 and the Senate committees to come in compliance with  
9 the economics of the Senate in bipartisan fashion voted  
10 42 to 8. I know that Senator Reschenthaler and I are  
11 hopeful and appeal to the House that we try to get to  
12 the Governor's desk only because of the amount of work  
13 that's gone into the words that are on the page right  
14 now and the vetting and the hearing and the dialogue we  
15 have with stakeholders.

16 There's too numerous to mention of  
17 environmental lobbyists across the state who support  
18 the bill and this is a good economic development  
19 opportunity. It's one where we can levy private  
20 capital and create jobs and allow for Pennsylvania to  
21 target that new technology to enjoy an accelerated use  
22 of that technology.

23 And we've seen success in other states,  
24 clear to the other states and the District of Columbia  
25 and we'd like to replicate that success here in

1 Pennsylvania.

2 With that, Chairman, I'll be glad to answer any  
3 questions.

4 CHAIRMAN ELLIS: Thank you very much for  
5 your testimony. And the diligence you guys have put in  
6 in the back work for this is quite impressive, and our  
7 hope would be to move it forward successfully.

8 So with that, we do have I think at least one question.

9 CHAIRMAN KRUEGER-BRANEKY: Thank you,  
10 Mr. Chairman.

11 Thank you, Senator. I am so grateful  
12 for your leadership on this issue. I started working  
13 on the Clean Energy job over a decade ago before I was  
14 in the legislature, in partnership with the Green  
15 Alliance, which is a national organization. It's been  
16 a long time coming to Pennsylvania, so I commend you  
17 and Senator Reschenthaler on moving it forward.

18 Question. I know there's going to be some  
19 conversations today. I understand that your bill is  
20 about commercial upgrading. There's also some  
21 conversation about potentially amending it to include  
22 residential. What is your stand on it?

23 SENATOR BLAKE: I believe it's going to  
24 go more to the electric but I'll answer your question  
25 specifically. I think that if we're going to go down

1 this road on residential, we ought not do it now. I  
2 think we need proof of the model. I think that the  
3 issue of consumer protection in other states have not  
4 been fully resolved.

5                   On the residential side, the Mortgage  
6 Bank and Association don't support that quite frankly.  
7 As the underwriter on the residential side, it's very,  
8 very differently than on the commercial side.  
9 The commercial side we have the more - underwritten  
10 with the ability to repay all of the things that go  
11 along with the merit of the - of the asking loan.  
12 On the residential side it's outside - it could be done  
13 outside the mortgage bankers in that it's really just  
14 based on value of the property and how much that value  
15 increased and spending of hundreds of properties. And  
16 there have been some issues in other states that have  
17 raised some consumer protection concerns.

18                   Senator Reschenthaler and I have, from  
19 the very beginning, and all of our special development  
20 people, we want to see the commercial and industrial  
21 and agricultural properties. And I think we put - I  
22 think we put a little blame on the residential side for  
23 you.

24                   CHAIRMAN KRUEGER-BRANEKY: One more  
25 question on that.



1 If this bill was became an option for residential, what  
2 do you think they would do with it?

3 SENATOR BLAKE: I wouldn't have the  
4 support I have for it now.

5 CHAIRMAN KRUEGER-BRANEKY: Thank you,  
6 Senator.

7 CHAIRMAN ELLIS: Representative Dunbar?

8 REPRESENTATIVE DUNBAR: Thank you, Mr.  
9 Chairman.

10 I have a quick follow-up. How many  
11 states are adopting some type of legislation like this?

12 SENATOR BLAKE: Thirty-three (33).

13 REPRESENTATIVE DUNBAR: And how many of  
14 them actually go beyond industrial and agricultural and  
15 include residential?

16 SENATOR BLAKE: Hopefully all of them,  
17 but probably half.

18 REPRESENTATIVE DUNBAR: So to go from  
19 what we have now to residential would take an  
20 additional bill somewhere down the line? It's not  
21 something that could be just unilaterally changed?

22 SENATOR BLAKE: I think, again, my  
23 feeling about it is that's a stand-alone issue that  
24 really should be designated what we plan in terms of  
25 protection other states.

1                   REPRESENTATIVE DUNBAR: Thank you.

2                   CHAIRMAN ELLIS: Senator, thank you very  
3 much. You're welcome - I know your schedule's busy and  
4 we appreciate you taking the time to come over here and  
5 testify. We're going to obviously have a lot more  
6 feedback as we go through this hearing. You're welcome  
7 to stay and I understand if you have to leave.

8                   SENATOR BLAKE: I have some guests  
9 coming from the northeast.

10                   CHAIRMAN ELLIS: I understand.

11                   SENATOR BLAKE: Thank you.

12                   CHAIRMAN ELLIS: And with that, we're  
13 going to have - since we are on a very tight schedule,  
14 we'll have our first testifier, Julian Boggs, Policy  
15 Director for the Keystone Energy Efficiency Alliance.

16                   Would you come up - oh, wait. Thank you  
17 for - thank you for showing up.

18                   And so, I'm sorry, please if you can be  
19 brief, we would appreciate your comments. Thank you  
20 for coming.

21                   SENATOR RESCHENTHALER: Thank you, Mr.  
22 Chairman. I appreciate your time. Thank you to the  
23 members of the House Commerce Committee for holding  
24 this hearing on this legislation.

25                   This bill establishes Pennsylvania's own

1 Commercial Property Assessed Clean Energy, otherwise  
2 known as C-PACE - C-PACE program.

3 C-PACE is voluntary and it's been  
4 established over 30 states across the country from  
5 Alabama to California and a diversity of states in  
6 between.

7 This is an excellent program that  
8 overcomes many of the challenges that get in the way of  
9 energy efficiency and doesn't cost taxpayers a dime for  
10 the stress. It costs taxpayers zero money.

11 C-PACE provides the financing from  
12 private institutions for energy efficiency upgrades in  
13 municipalities or counties only having the role of  
14 collecting the financing repayment in the form of  
15 voluntary property tax assessment.

16 C-PACE will also create local jobs in  
17 communities across the Commonwealth in high-paying,  
18 family-sustaining fields such as electrical, plumbing,  
19 excavating, engineering and architecture.

20 This program lowers the energy costs for  
21 local businesses, increasing their competitiveness  
22 particularly in manufacturing and heavy industry.  
23 C-PACE increases the value of local commercial  
24 properties while also improving the environment. I'm  
25 excited to see the positive impact C-PACE will have

1 across Pennsylvania.

2 I look forward to continue working with  
3 Senator Blake and the many organizations that support  
4 this program and to work to get it through to the  
5 finish line and onto the Governor's desk. So thank  
6 you, Mr. Chairman. I appreciate your time.

7 CHAIRMAN ELLIS: And again, thank you,  
8 Senator, for coming.

9 As I offered to Senator Blake, I do know  
10 how busy your schedule is. If you can stay, we're  
11 going to have wonderful testimony here as we go  
12 through. And if you can't, we understand. There  
13 probably will be copies of all the testimony. So thank  
14 you.

15 SENATOR RESCHENTHALER: Thank you so  
16 much.

17 CHAIRMAN ELLIS: Again, back to Keystone  
18 Energy Efficiency Alliance. If you could take a seat  
19 right down here at the microphone, and appreciate to  
20 hear your testimony.

21 Before you go, we know each other up  
22 here, but I'm going to announce everybody who's here.  
23 So we have with me Representative George Dunbar, Keith  
24 Greiner, Duane Milne, Chris Quinn, Donna Bullock,  
25 Austin Davis, I said Leanne already and Representative

1 Chris Rabb. So that's who we are. And my members will  
2 be coming and going, so don't be alarmed if somebody  
3 has to leave as we go through the testifying process.

4 Please begin.

5 MR. BOGGS: Thank you very much, Mr.  
6 Chairman.

7 Good morning, Representative Ellis,  
8 Representative Krueger-Braneky, members of the  
9 Committee. I'm Julian Boggs. I'm the Policy Director  
10 of the Keystone Energy Efficiency Alliance. Thank you  
11 for allowing me to speak on a very important issue,  
12 Commercial Property Assessed Clean Energy or C-PACE.

13 A quick introduction of our  
14 organization. The Keystone Energy Efficiency Alliance  
15 is a Pennsylvania trade association representing the  
16 energy efficiency industry. Our members are  
17 engineering firms, energy efficiency service providers,  
18 energy consultants, software developers, equipment  
19 manufacturers, distributors, and large energy users, a  
20 whole range of businesses engaged in energy efficiency.

21 KEEA supports SB 234 because it will  
22 help further to grow our industry by lowering barriers  
23 that prevent commercial property owners from making  
24 energy efficiency investments. Because there's lots of  
25 us testifying today, I want to focus my remarks on two

1 major benefits of this legislation.

2           The first is the investments in energy  
3 efficiency benefit the communities more broadly.  
4 Pennsylvania has over 62,000 jobs in energy efficiency,  
5 according to a 2017 survey from the U.S. Department of  
6 Energy. These are jobs in every county in the  
7 Commonwealth.

8           When Pennsylvania businesses lower their  
9 own energy costs and own energy demand on the aggregate  
10 that helps to lower electricity costs for everyone  
11 because it avoids the need for more expensive  
12 generation and distribution. And we're seeing those  
13 costs, especially here across the state going up.

14           Additionally, investments in energy  
15 efficiency reduce strain on the electric grid,  
16 increasing resilience and cutting pollution from energy  
17 production.

18           My second point is this. Although  
19 energy efficiency is a no-brainer, C-PACE is needed to  
20 overcome certain market barriers to prevent energy  
21 efficiency - that prevent energy efficiency financing.  
22 So there is a clear economic value of energy  
23 efficiency. People learn who we are and what we do,  
24 they say great. Why wouldn't everybody just invest in  
25 energy efficiency on their own?

1                   But in 2015, the Public Utility  
2 Commission found that existing cost-effective  
3 technologies can reduce Pennsylvania's energy use by 19  
4 percent. That means there's a huge amount of untapped  
5 energy waste out there. Why aren't we taking advantage  
6 of it?

7                   One major factor is that markets are not  
8 fully optimized for energy efficiency investments.  
9 There are these specific barriers for commercial  
10 property owners making energy efficiency investments.  
11 C-PACE addresses those barriers by facilitating  
12 transactions between two private actors, commercial  
13 property owners and capital providers who want to make  
14 energy improvements for their commercial properties.

15                   To give a quick example of how these  
16 barriers work and how C-PACE helps overcome them, take  
17 a hypothetical company, Pennsylvania Mechanical, wants  
18 to invest \$100,000 in a new boiler, HVAC system, and  
19 solar panels to generate on-site energy. Their balance  
20 sheet can't support a \$100,000 capital expenditure. On  
21 top of that, any expenditures that they make, that  
22 would have to compete with existing capital  
23 expenditures that they need to make, say replacing  
24 aging equipment.

25                   A 20-year C-PACE loan tied to the

1 property, not the individual or business, which is a  
2 key component of how C-PACE works, could generate  
3 immediate positive cash flow, lower energy costs. And  
4 C-PACE capital providers would make that loan based on  
5 the property and tax history and the value of the  
6 energy investment, not necessarily the particulars of  
7 PA Mechanical's business or its owner's credit. And  
8 that will allow them to access the capital, additional  
9 capital that they wouldn't otherwise be able to with  
10 C-PACE.

11                   And then quickly, before I close, and of  
12 course, I'll be happy to take questions, I want to make  
13 a few clarifying points about what C-PACE is and isn't.

14                   C-PACE is a financial product for owners  
15 of commercial properties that is already established in  
16 over 30 states. As Senator Blake said, there's 33  
17 states plus the District of Columbia.

18                   C-PACE is an economic development tool  
19 for local governments to spur local investment and  
20 create local jobs, and to encourage more efficient use  
21 of energy and local energy production.

22                   C-PACE is not mandatory for any party.  
23 It is not a subsidy for a particular energy resource.  
24 It's not a cost to the state and it's not a cost for  
25 any local government that doesn't expressly opt in.



1 C-PACE is not applicable to residential  
2 properties. Residential PACE, or R-PACE, is as  
3 separate financial product and has different risks,  
4 different scale and different regulatory framework.  
5 R-PACE should be considered on its own merits, and KEEA  
6 would oppose amendments to add R-PACE to this bill.

7 In sum, KEEA recommends to the committee  
8 passage of Senate Bill 234 as a win-win for jobs,  
9 economic investment and public benefit, with no cost to  
10 the state.

11 Thank you very much for your time.  
12 Again, I'm happy to take any questions.

13 CHAIRMAN ELLIS: And thank you for your  
14 testimony.

15 Members, are there any questions?

16 See how efficient we are?

17 Thank you very much.

18 The next testifier will be Gregory  
19 McQuaide, CFO, Miller Electric Construction,  
20 Incorporated, on behalf of the National Electric  
21 Contractors Association.

22 Thank you for being here today.

23 MR. MCQUAIDE: Thank you.

24 Good morning. My name is Greg McQuaide.  
25 I'm the Chief Financial Officer of Miller Electric

1 Construction, Incorporated, based in Allison Park, PA,  
2 just north of the City of Pittsburgh.

3 Miller Electric has - is an electrical  
4 contracting company with approximately 100 employees.  
5 Most often Miller Electric is the electrical  
6 subcontractor on commercial and institutional projects,  
7 specializing in power distribution, lighting, emergency  
8 generators in hospitals and so forth.

9 One of the projects we are currently  
10 performing is the electrical work on the remodeling and  
11 new addition of the Carnegie Science Center in  
12 Pittsburgh.

13 I'm here today representing the National  
14 Electrical Contractors Association, also known as NECA,  
15 to strongly support Senate Bill 234 and to encourage  
16 you to vote yes on the bill without amendment.

17 Miller Electric is a member of the  
18 western Pennsylvania Chapter of NECA, which serves 30  
19 electrical contractors in western Pennsylvania, mainly  
20 Pittsburgh, Beaver and Erie areas.

21 I'm also here on behalf of the  
22 Penn-Del-Jersey Chapter of NECA, which represents over  
23 100 member contractors in eastern PA. We are the  
24 electrical contractors who partner with the  
25 labor-management relationships with 14 International

1 Brotherhood of Electrical Workers of local unions  
2 statewide.

3                   NECA contractors are the types of  
4 qualified construction professionals who can help  
5 commercial property owners plan and execute  
6 C-PACE-financed energy efficiency and clean energy  
7 projects. Working in this industry, we see the aging  
8 facilities, as well as new construction projects, that  
9 could benefit from more energy efficient systems.

10                   There is an important market for PACE  
11 projects, which will allow owners to decrease their  
12 energy consumption and utility costs, increase the  
13 value of their property, and make their facilities more  
14 desirable overall. Many owners are already looking to  
15 save on their energy bills and want to make their  
16 facilities more comfortable and attractive with these  
17 upgrades, but they may not have the upfront money to  
18 get these projects off the ground.

19                   An excellent example of a commercial  
20 PACE project performed by a NECA contractor was the  
21 Missouri Athletic Club in St. Louis. It's a \$2.5  
22 million upgrade to the building's lighting, heating,  
23 and energy management systems. They are expected to  
24 save between \$200,000 and \$350,000 per year in energy  
25 costs on that project. There are many existing

1 buildings in Pennsylvania that could also benefit from  
2 energy efficiency improvements like this.

3           For contractors like Miller Electric,  
4 any size job will put our people to work. This bill is  
5 designed to business owners, construction professionals  
6 and private lending institutions are the primary  
7 decision-makers on the viability of a potential PACE  
8 project. We are asking - what we are asking for of the  
9 General Assembly with Senate bill 234 is to authorize  
10 counties and municipalities to establish C-PACE  
11 programs, if they decide PACE is right for their  
12 community.

13           I am asking you to vote yes on SB 234.  
14 It will help increase property values, increase energy  
15 consumption, and these programs will facilitate job  
16 opportunities for companies like Miller Electric  
17 Construction so that we can put more electricians,  
18 project managers, engineers, estimators, and other  
19 staff to work.

20           Thank you. I'll be glad to answer any  
21 questions you might have.

22           CHAIRMAN KRUEGER-BRANEKY: Thank you,  
23 Mr. McQuaide. Thank you for driving up here today.

24           With our commercial PACE being in place  
25 right now, are companies opting for those and would you

1 see an increase in demand if there was energy  
2 available?

3 MR. MCQUAIDE: I'm sure could do it, I  
4 mean, how many people here put defaults in their own  
5 home. So you're going to see these type of projects  
6 develop as it goes forward.

7 However, for commercial property owners  
8 and so forth that don't have the capital gains projects  
9 in place, this would be a - help them to do that.

10 CHAIRMAN KRUEGER-BRANEKY: Are you  
11 seeing people opt for these projects in these hearings  
12 and then - opt in doing it because they have other  
13 priorities?

14 MR. MCQUAIDE: A little of both. We see  
15 people doing it through all these projects to increase  
16 efficiencies within our institutions, but we're also  
17 seeing people say, well, we don't have the money at  
18 this time to do it.

19 CHAIRMAN KRUEGER-BRANEKY: Do you any  
20 sense of the job growth that would be possible for NECA  
21 if it was to be decided into law?

22 MR. MCQUAIDE: Tough to quantify. I  
23 think there's a huge potential out there, and this  
24 program would help unlock that potential. Imagine  
25 being able to lower your energy costs today and then

1 start paying for that reduction in cost over an  
2 extended period of time, over a longer period than you  
3 can get conventional financing currently. So it gives  
4 someone an impetus to do that, to answer your question  
5 fully.

6 CHAIRMAN ELLIS: Representative Greiner?

7 REPRESENTATIVE GREINER: Thank you.

8 It's funny. I was just sitting here.  
9 And maybe this question should have been put to Julian  
10 and the Senators before. But since we have several  
11 testifiers, I just wanted to give some thought.

12 Often when it comes to legislation,  
13 imitation is the best form of flattery. And you have  
14 30 states - you mentioned 30 states, Julian. I know  
15 the Senator did. And I think you brought it up, too,  
16 that - a similar program.

17 Is there a state - is there a state -  
18 first of all, is there a state that does better than  
19 others? I should have talked to Senator Blake to see  
20 whether, you know, he's trying to mimic another state's  
21 legislation that might be effective.

22 And then, of course, the big question  
23 is, and it's great to hear - I don't know whether  
24 anybody - and I have to leave here very shortly, but I  
25 know everybody seems very positive of the commercial

1 aspect of it. Is there - have there been any negative  
2 situations that have occurred in other states or any  
3 problems that we need to address in - I know you're  
4 testifying. Julian might want to even - be back there  
5 because you might have some insight on that. I'm just  
6 curious about that, because I don't want to pass - pass  
7 a bill that ends up possibly being problematic. And I  
8 think, you know, I spoke to Julian before on this, too.  
9 I don't know where the tankers might be. And it's  
10 good they're here. We'll find out from their  
11 testimony, but if you can give some thought or possibly  
12 some insight on that.

13 MR. MCQUAIDE: I'm by no means an expert  
14 on what goes on in other states. I want you to know  
15 that. But basically, as long as any programs sticks in  
16 - receives a credit, you're basically going to stay out  
17 of trouble. And a commercial program like this is  
18 dealing with more things of a client base than a  
19 residential market would, so it's going to be less  
20 prone to abuse.

21 You know, the research that I've seen in  
22 other states is in the residential market where people  
23 are talked into a deal that they can't afford. This  
24 program is seeking to avoid that type of problem in  
25 Pennsylvania.

1                   REPRESENTATIVE GREINER: I'm getting the  
2 sense that the residential piece would be more complex  
3 and a far more development like you said. And the  
4 people that are doing it now are a bit more - they  
5 understand - they understand this. They have a more  
6 thorough understanding of what's going on there versus  
7 maybe a residential customer who would be - just like  
8 we would be up here, so - for example.

9                   Thank you.

10                  CHAIRMAN ELLIS: Representative Rabb?  
11                  I guess not. Any other - Representative  
12 Bullock?

13                  REPRESENTATIVE BULLOCK: Thank you,  
14 Chairman. I have a follow-up on the jobs aspect.  
15 Could you tell me how many members do you have in the  
16 Commonwealth, contractor members?

17                  MR. MCQUAIDE: Around 130. I guess in  
18 excess of that.

19                  REPRESENTATIVE BULLOCK: And do you know  
20 how many jobs that represents, roughly?

21                  MR. MCQUAIDE: How many?

22                  REPRESENTATIVE BULLOCK: How many jobs  
23 that represents locally?

24                  MR. MCQUAIDE: We employ 130 employees.  
25 We did get IBEW for electricians. So 140 - that's



1 around payroll of around \$70 million a year, in excess  
2 of \$2 million in payroll taxes a year also. So if you  
3 look at how many jobs are going to be created, you're  
4 talking about millions of dollars from creating a  
5 hundred jobs.

6 REPRESENTATIVE BULLOCK: Great. Thank  
7 you.

8 CHAIRMAN ELLIS: I appreciate your  
9 testimony today.

10 And for the future testifiers, if you  
11 have thoughts beyond the scope of your testimony that  
12 you prepared and you can answer Representative Greiner  
13 or Representative Bullock, please share those with us  
14 so we don't have to ask again.

15 But with that, thank you for your  
16 testimony.

17 Let's move on to Ygrene Energy Fund, Ben  
18 Taube.

19 MR. TAUBE: You got it right.

20 CHAIRMAN ELLIS: Thank you.

21 MR. TAUBE: Mr. Chairman and members of  
22 the Committee, I appreciate the opportunity to speak  
23 this morning. I'd like to start by introducing my  
24 company and providing you a little background on our  
25 journey into -.

1                    COURT REPORTER: I need you to speak up,  
2 sir.

3                    MR. TAUBE: In 2018, the Ygrene Energy  
4 Fund was launched in northern California by a founder  
5 that had spent many years as a regional bank owner.

6                    COURT REPORTER: You're going to have to  
7 talk louder.

8                    MR. TAUBE: He witnessed the need for  
9 alternative options to give property owners access to  
10 capital for building retrofits and energy efficiency  
11 upgrades and, therefore, we launched our first program  
12 in 2009.

13                    Since that time, local governments hired  
14 Ygrene to administer PACE programs on their behalf and  
15 we have been a leader in the PACE market, now operating  
16 in over 500 cities in the states of Georgia,  
17 California, Florida and New Jersey.

18                    As of February of this year, we have  
19 trained almost 3,000 contractors and completed over  
20 40,000 projects. We have funded approximately \$1.2  
21 billion in the marketplace at no cost to taxpayers.  
22 And we have created and sustained over 17,000 jobs in  
23 the communities we serve.

24                    Including our other PACE providers, we  
25 have nearly put \$4.5 billion in private capital. And

1 that's been deployed to working class families across  
2 the U.S. And if you look at the market of residential  
3 versus commercial, the commercial market represents  
4 about \$583 million in investments and just over -  
5 roughly around 1,200 projects compared to the  
6 four-and-a-half million for residential and 150,000  
7 profits across the board.

8                   When we took a look at the market  
9 opportunities here in Pennsylvania, we have a modest  
10 estimation of a one-percent market penetration if we  
11 were to work with local governments to offer PACE. We  
12 think that there's an opportunity to invest about \$800  
13 million of new economic investment. And that's one  
14 percent of the market. So if you can get - have more  
15 marketing, I think there's more marketing  
16 opportunities. And remember, that one percent is only  
17 a very small percentage, whereas traditional financing  
18 or traditional banking industry has 98-plus percent of  
19 that in the market.

20                   Across the board, PACE numbers speak for  
21 themselves. There are approximately 5.6 million  
22 housing units in the state compared to roughly about  
23 300,000 commercial properties based on the most recent  
24 census estimation.

25                   The fact is, when local governments

1 adopt PACE, residential PACE scales roughly 10 to 1  
2 when only launching commercial. So why limit the  
3 ability of property owner differentiation and why limit  
4 local government choice to offer PACE to all property  
5 owners?

6                   Today you're going to hear voices  
7 claiming that PACE is bad for homeowners and that  
8 people are at risk of losing their homes. But that's  
9 not the case. And here are the facts.

10                   To date, PACE has helped more than  
11 150,000 homeowners obtain long-term financing at  
12 competitive rates for energy efficiency, seismic  
13 retrofits, hurricane protection and other property  
14 renovations mentioned as energy - rural energy.

15                   One note to mention is that over 70  
16 percent of what we fund in the State of Florida is pre  
17 and post disaster mitigation projects. That's new  
18 windows, roofs, shutters, generators, and homeowners  
19 are seeking insurance premium reductions as well.

20                   PACE is one of the most fastest and  
21 successful growing energy saving programs in the  
22 country. It's one of the most - the public policy is  
23 truly a win-win for local governments and the state, no  
24 cost to local jurisdictions and generates economic  
25 impact day one.

1           You're also going to hear about people  
2 losing their homes. Unlike previous lending practices  
3 brought by the mortgage industry just ten years ago,  
4 underwriting standards for PACE are far more robust  
5 than the mortgage banking industry's practices will  
6 tell you.

7           Remember that PACE is tied to very  
8 specific and defined uses and is based on the fair  
9 market value of property, available loan to equity in  
10 the property, stringent know before you owe  
11 disclosures, right to cancel provisions, completion of  
12 building permits and inspections, property owner  
13 affirmation costs of completion prior to contractor  
14 funding, among more.

15           The point is that the industry has  
16 matured from what you hear from the opposition - than  
17 what you hear from opposition and the newspapers.

18           Additionally, homeowners who have taken  
19 advantage of PACE have a lower tax delinquency rate on  
20 average. In fact, those who invest in efficiency  
21 improvements are a third less likely to default. The  
22 industry data proves that owners with PACE financing  
23 have significantly lower default rates when compared to  
24 the mortgage industry standards.

25           To be clear, PACE does not impact

1 government revenues. Companies like mine are hired by  
2 local governments to administer their programs. It's  
3 voluntary. It's privately funded. It's created more  
4 than 30,000 jobs. You would be hard pressed to find a  
5 public pilot program in this country that has seen and  
6 had the same success and results.

7                   You'll also hear a lot about the myth  
8 that homeowners simply don't understand PACE. PACE  
9 providers have worked to enhance already existing  
10 consumer safeguards. As an example, legislation  
11 adopted over the last few months and years, in  
12 California and other states, strengthen consumer  
13 protections even further. We, as a company, can  
14 streamline that approach in any state we operate. Know  
15 before you owe disclosures and attention to  
16 documentation that explicitly explain the financing.  
17 We perform a recorded welcome call that explains  
18 financing structure to the property owner. And no -  
19 I'm not aware of any other financing that requires  
20 confirm term calls. We give a three-day right of  
21 decision where you can cancel. Property owners have to  
22 be satisfied with the work before the contractor is  
23 funded.

24                   According to the Journal of Structured  
25 Finance Report homes with PACE upgrades have a higher

1 net resale value, up to \$8,800 compared to homes  
2 without.

3           The industry would lead you to believe  
4 that PACE is the Goliath and the industry is - or the  
5 banking industry is David, when, in fact, it's the  
6 other way around. Again, it represents less than one  
7 percent of the financial market. We entered the  
8 industry to provide homeowners a financing mechanism to  
9 make needed improvements. And now an opportunity to  
10 try to push a little emerging technology company out.

11           A very important point is to review the  
12 reality of a non-recourse versus non-accelerated PACE  
13 assessment. The only portion of PACE assessment that  
14 has lien priority is that which is in arrears and not  
15 the whole assessment. So a PACE assessment by its  
16 nature cannot accelerate. The way an assessment  
17 accelerates is that a property owner decides to pay off  
18 the PACE assessment. So when compared to a mortgage or  
19 home equity line of credit, which fully accelerate upon  
20 default, the PACE assessment of say roughly \$1,200 a  
21 year is the only portion that is paid when a default  
22 would occur.

23           Despite what you may have seen in the  
24 news reports critical of PACE, there is little evidence  
25 that PACE contractors systematically target low-income

1 areas. In fact, our data and studies show that  
2 low-income households are less likely to participate in  
3 PACE. Our average FICO score is 670 and higher. Our  
4 average PACE assessment is roughly \$21,000. And the  
5 average loan to value ratio for our users is 70 percent  
6 or lower. The lower - the lower loan to value ratio  
7 the more equity they have in the home.

8                   So there is a misunderstanding of how  
9 residential PACE works. PACE assessments are only  
10 available for properties that demonstrate currency on  
11 payment of mortgage and property tax obligations and no  
12 bankruptcy filings over a number of years. Ygrene is  
13 available to more than 35 million Americans and has  
14 financed over 41,000 projects. Pennsylvania has the  
15 opportunity for innovative policy, not against it.

16                   Ultimately, you have the opportunity to  
17 adopt a leading-edge statute to allow property owners  
18 to have access to local government programs and capital  
19 for critical home improvements that can, and will,  
20 provide quality of life.

21                   It is our desire to see the state take  
22 this opportunity and provide owners a choice while not  
23 limiting this to one property class. Much like other  
24 states have gone down this path, I would  
25 recommend the inclusion of residential in an amended



1 bill to address the particularities of the residential  
2 market as well as assigning oversight of the creation  
3 of consumer protection in line with the industry and  
4 other viable states with an appropriate state agency  
5 like the Department of Community and Economic  
6 Development.

7                   With that, I'll conclude my testimony.  
8 I'm happy to take questions.

9                   CHAIRMAN ELLIS: Thank you very much.  
10                   We've been joined by Representative  
11 Doyle Heffley and Ryan Mackenzie.

12                   At this point, the first question will  
13 go to Representative George Dunbar.

14                   REPRESENTATIVE DUNBAR: Thank you, Mr.  
15 Chairman. And thank you for your testimony.

16                   I'm trying to wrap my hands around the  
17 need for residential for this at all. So if you're a  
18 residential homeowner and you want to have one of these  
19 projects done, why don't you just use traditional  
20 borrowing tools, home equity loan? Why do you have to  
21 go this route at all, residentially? And if you don't  
22 have any equity in your house to borrow, it certainly  
23 does create a problem.

24                   MR. TAUBE: Yes. At the end of the day,  
25 residential PACE is a tool for homeowners that have

1 access to capital and they would -.

2 REPRESENTATIVE DUNBAR: But isn't that  
3 the - isn't that what's going to be secured, the  
4 property? So they have to have some -?

5 MR. TAUBE: They have to have equity in  
6 the home, correct. That's correct.

7 REPRESENTATIVE DUNBAR: So why couldn't  
8 they just use their present equity - home equity loan  
9 and things like that right now? Why do they need this  
10 program?

11 MR. TAUBE: Because the process for  
12 getting a home equity line versus PACE assessment on  
13 property - if you apply for an equity line, it can take  
14 weeks to months, correct. Whereas, PACE underwriting  
15 typically is within 48 hours that the homeowner can  
16 qualify and have access to capital.

17 REPRESENTATIVE DUNBAR: Next question.  
18 And my biggest concern is residential I'll be honest.  
19 So when you were - do you have an aggressive marketing  
20 campaign that you're going to people's residential  
21 houses to try and sell - to sell the financing for  
22 these things, to market it?

23 MR. TAUBE: We don't have an aggressive  
24 marketing campaign. When we are hired by local  
25 government we put in place certain guidelines. Those

1 guidelines operate and we follow based upon local  
2 government direction. The contractors may have the  
3 ability to market this, but we're not actively engaged  
4 in the day-to-day marketing. We do monitor  
5 contractors. We do monitor their standing in the  
6 community, their licenses. We monitor what the user  
7 says in their experience. We have a contractor process  
8 where contractors are trained. If they are - if they  
9 are doing things that don't follow the program  
10 guidelines of the local government, they do get pushed  
11 out of the program.

12 REPRESENTATIVE DUNBAR: And I mean, I  
13 understand everything. Now, I do have concerns on - I  
14 know the difference between commercial and residential  
15 borrowing. I know in commercial borrowing there are  
16 normally CFOs, controllers, things like that. I  
17 understand financing a lot better than you know. I  
18 appreciate your testimony, but I really do not agree.  
19 Thank you.

20 CHAIRMAN ELLIS: Representative  
21 Krueger-Braneky?

22 CHAIRMAN KRUEGER-BRANEKY: Thank you,  
23 Mr. Chairman. So I support the concept of making  
24 energy efficiency upgrades available to everybody in  
25 the residential and commercial market. I do have

1 concerns, some concerns, though, about amendments to  
2 this bill, and in particular, consumer protection stuff  
3 particularly to protect low-income folks and seniors.

4           So can you walk us through - if someone  
5 who has an R-PACE need in one of the states you're  
6 operating in right now, if they sell their property  
7 before the lien has fully been paid, how does that work?  
8 And can you contrast that with commercial PACE, where  
9 it's tied to the building?

10           MR. TAUBE: Well, they're both tied to  
11 property, right. So when a transaction - one of two  
12 things can happen. Either in the transaction, the PACE  
13 assessment can be paid off on sale or it can transfer  
14 with sale of the property.

15           CHAIRMAN KRUEGER-BRANEKY: And in the  
16 states where you're operating right now, how often are  
17 they paid off through the sale of a home versus - where  
18 a new homeowner agreed to accept that lien?

19           MR. TAUBE: I would say it's roughly  
20 50/50. There's the prerogative for many of them to be  
21 transferred - fully disclosed in the realty transaction  
22 to the owners. And there's some that elect to pay it  
23 off as part of the transaction.

24           CHAIRMAN KRUEGER-BRANEKY: And what  
25 happens if someone defaults on residential PACE?

1                   MR. TAUBE: The same thing that happens  
2 in commercial. What happens in a default procedure is  
3 that you follow the county on procedure for default of  
4 property. And in essence, you have collection. Once  
5 that property is sold, there's a waterfall of  
6 collection. Right? And so, as I said, the PACE  
7 assessment, only the portion in arrears would be  
8 collected. So since this is not a ten-year  
9 amortization and year three default - in year three,  
10 portions would be collected. That's assuming it's  
11 default and it's sold, right. So year three would be  
12 collected. But for the new owner it would transfer to  
13 the owner for the remainder of that amortization on the  
14 amortization.

15                   CHAIRMAN KRUEGER-BRANEKY: And where is  
16 the PACE lien in terms of what senior - what gets paid  
17 back first, where is this going to any other -?

18                   MR. TAUBE: Yes. Both commercial and  
19 residential have all the same lien priority where you  
20 have more taxes - senior to mortgage.

21                   CHAIRMAN KRUEGER-BRANEKY: Senior to the  
22 mortgage.

23                   CHAIRMAN ELLIS: Representative Bullock?

24                   REPRESENTATIVE BULLOCK: Thank you,  
25 Chairman. Thank you, Mr. Taube, for your testimony. I

1 share some of the same concerns as the two previous  
2 representatives.

3                   You mentioned something in your  
4 testimony about the market industry has matured and  
5 that the type of commercial lending that we're all  
6 concerned about isn't necessarily characteristic of the  
7 work that they're engaging of PACE.

8                   Correct?

9                   MR. TAUBE: In 2009 compared to where we  
10 are today it's a much more mature market.

11                   REPRESENTATIVE BULLOCK: So one of my  
12 concerns is that with that maturity there has been  
13 signs of other practices that may be considered  
14 discriminatory or predatory. I am often asked in  
15 making sure that energy is acceptable and available to  
16 all communities regardless of anything, regardless of  
17 color, regardless of location, and we often find that  
18 there is a - even energy becomes inaccessible to many  
19 communities for various reasons and that the privilege  
20 of communities to participate in programs like this is  
21 often blocked by income and other factors.

22                   That being said, we have seen some  
23 recent stories in Philadelphia in which the mortgage  
24 issue has actually engaged in redlining in a whole new  
25 way in which homeowners - homeowners, particularly

1 regardless of income or not being made aware of certain  
2 products, especially first-time home buyer programs and  
3 other affordable housing programs, lost out on those  
4 programs in communities they were genderfying.

5 Do you have any statistics around the  
6 demographics of residential participants? You know,  
7 you said that there were credit scores over 600. What  
8 about those who had lower scores and how do we engage  
9 those communities in products that are favorable and  
10 not predatory and particularly around communities of  
11 color. Can you share this particulars?

12 MR. TAUBE: I don't have anything with  
13 me today, but I'm happy to follow up. We look at the  
14 data on our users and we look at it from the  
15 perspective of - I'm happy to do that.

16 REPRESENTATIVE BULLOCK: I'd like to see  
17 that. Thank you.

18 CHAIRMAN ELLIS: Thank you.

19 And I have a couple questions just  
20 speaking to the lending part. Do you see in the - on  
21 the residential side are there conflicts with mortgage  
22 lenders where the homeowner or with PACE assessment?  
23 Is that common? Do you have problems with that?

24 MR. TAUBE: It's actually pretty rare.  
25 I mean, the statutes that are adopted by the states

1 dictate how that representation should work. And we  
2 really don't know a lot of issues with the mortgage  
3 industry. There's a process where that mortgage  
4 records does provide written notice of what they're  
5 about to do. And the mortgage company has a chance to  
6 respond to that. But for the most part they're not  
7 seeing a lot of negativity at all toward the owners  
8 with doing a project.

9 CHAIRMAN ELLIS: And you say you operate  
10 in four different states?

11 MR. TAUBE: We do.

12 CHAIRMAN ELLIS: Do they all have  
13 residential programs?

14 MR. TAUBE: Yes.

15 CHAIRMAN ELLIS: As they roll out with  
16 the programs in the state and we go into the contracts  
17 with the local governments, do you see an update more  
18 in the residential side or in the commercial side as  
19 far as from the job creation and the contractors'  
20 participation?

21 MR. TAUBE: Yes. You know, we do  
22 operate and market for both commercial and residential  
23 and enable - we do commercial as well. But for the  
24 most part, when we enter a market, the residential  
25 market scales are about ten to one.



1                   CHAIRMAN ELLIS: Ten to one.

2                   MR. TAUBE: When we start, correct. It  
3 absolutely has a higher trajectory usage than  
4 commercial does.

5                   CHAIRMAN ELLIS: I appreciate it.

6                   Are there any other questions?

7                   Seeing none, thank you very much for  
8 your testimony.

9                   Next on the list is we'd like to invite  
10 Elizabeth Marx from the Pennsylvania Utility law  
11 Project.

12                   Good morning.

13                   MS. MARX: Good morning, Chairman Ellis  
14 and members of the Committee. My name is Elizabeth  
15 Marx. I'm a supervising attorney at the Pennsylvania  
16 Utility Law Project. And I'm really thankful to be  
17 here at this hearing today.

18                   I'm here today on behalf of our clients  
19 at the Coalition for Affordable Utility Services and  
20 Energy Efficiency in Pennsylvania, a group of low and  
21 moderate income individuals who are dedicated to ensure  
22 that all Pennsylvanians have access to affordable  
23 utility services.

24                   Of course, energy efficiency is a huge  
25 component of affordable utility services, and CAUSE-PA

1 strongly supports efforts to increase low and no cost  
2 energy efficiency programming for which Pennsylvania  
3 has the privilege of having.

4           That said, I'm here today to urge you  
5 and urge all members of the Committee to resist the  
6 efforts to authorize Residential Property Assessed  
7 Clean Energy, or R-PACE, loans and to, therefore,  
8 reject the request to add R-PACE to the bill.

9           As you heard from Mr. Taube, R-PACE is  
10 touted as a low-cost financial project that can help  
11 working-class families access energy efficiency. But  
12 unfortunately, nothing can be further from the truth.  
13 The experience that we've seen from other states has  
14 shown that R-PACE is a predatory lending product and in  
15 cases of financial wellbeing of vulnerable homeowners  
16 and the suitability of the housing market efforts.

17           I'm going to briefly highlight a number  
18 of our concerns which are more detailed in the written  
19 testimony. And I'd like to just start by saying,  
20 unlike mortgage lenders, R-PACE lenders do not screen  
21 for ability to pay. They are not subject to  
22 dissolution requirements. And as we learned why some  
23 prime mortgages led us right into the Great Recession,  
24 the consequences of these practices are severe.

25           For example, a low-income woman in

1 California, which Mr. Taube and others in the industry  
2 taut as having a very strong consumer protection for  
3 R=PACE, she was just one year from paying off her  
4 mortgage for her Habitat for Humanity home when she was  
5 solicited by a door-to-door salesman for a \$64,000  
6 R-PACE loan. She had an unstable work history and no  
7 ability to pay, but she signed for the loan because she  
8 was told it was a government program and it would save  
9 her money on her electric bill.

10                   When she couldn't afford the increased  
11 tax assessment, luckily Habitat for Humanity stepped in  
12 and also refinanced into an additional ten-year loan on  
13 her mortgage. So she'll now be paying for an  
14 additional ten years on her home. Indeed, R-PACE  
15 lending loans facilitate financial abuse and enable  
16 contractor fraud. R-PACE lenders market directly to  
17 low and moderate-income families using high-pressure  
18 sales tactics, which push consumers to sign on  
19 contracts at the point of sale without advance or  
20 written notice or disclosure of the terms.

21                   There's the 84-year-old woman with  
22 dementia who agreed to a \$109,000 R-PACE loan after a  
23 four-hour sales pitch by a convicted felon. She  
24 thought she was signing an estimate, but now the  
25 contractor is holding her to those terms. She did not

1 even receive of the agreement until a relative  
2 intervened.

3                   Then there's the 95-year-old Tuskegee  
4 Airman who was enticed to purchase \$50,000 in upgrades  
5 to their home based on handwritten contract amendments,  
6 such as hiring veterans to complete the work, which  
7 turned out to never be honored.

8                   Then there's the unemployed woman who  
9 was sold a \$56,700 R-PACE loan and told not to worry  
10 that she couldn't pay because she would receive a huge  
11 tax credit to offset the tax assessment. The woman had  
12 no tax liability because she was unemployed and didn't  
13 receive any tax credit and she's now at risk of  
14 foreclosure.

15                   Attached to my written testimony is a  
16 report from the National consumer Law Center, which I  
17 encourage you to review. There's over two dozen  
18 similar cases of vulnerable households who have been  
19 duked by untrue market lenders and contractor. Many of  
20 whom are now subject to class action lawsuits in  
21 Florida and California. So you may still be wondering  
22 why consumers are agreeing to this loan that they can't  
23 afford and most often they agree they're promised  
24 savings on their energy bill or they're led to believe  
25 that it would increase the value of their property.

1 These promises often go unfulfilled.

2                   With regard to energy savings unlike  
3 these low and no cost energy efficiency programs that  
4 we enjoy in Pennsylvania such as the Weatherization  
5 Assistance Program, the low income use and production  
6 program and the Act 129 energy efficiency program there  
7 is no requirement that R-PACE lenders or contractors  
8 conduct an energy audit to justify the savings that  
9 they're saying they'll produce.

10                   Consumers also have no ability to then  
11 enforce the savings being promised once their energy  
12 bill does not decrease. With regard to increased  
13 property value, potential buyers are often leery of  
14 assuming PACE debt, which often comes with higher  
15 interest rates and long repayment periods that can clip  
16 the technology that unsolved with the home. In turn,  
17 of course the priority position of R-PACE loan needs  
18 make it difficult for potential buyers for future  
19 financing forcing homeowners to pay for R-PACE loan  
20 outright at the time of closing often paying additional  
21 fees for early repayment.

22                   Before I close my comments I just want  
23 to impress upon members of this committee that R-PACE  
24 would create a distinct risk of harm in Pennsylvania in  
25 particular. Most of our tax collection bureau assess

1 property taxes and with a payment generally due in full  
2 by a specific date. The homeowner does not have a  
3 mortgage escrow account or has not increased their  
4 mortgage escrow in to match R-PACE payments. They will  
5 have to come up with a lump sum at the time that the  
6 tax assessment comes due.

7                   Those who are unable to come up with  
8 that lump-sum payment will face default, add a penalty,  
9 interest charges, attorney fees and possible tax sale  
10 or foreclosure. With R-PACE the annual tax assessment  
11 is often increased by thousands of dollars a year,  
12 which makes it likely homeowners, especially those who  
13 are vulnerable, low income, fixed income folks will be  
14 unable to pay. R-PACE components do note as Mr. Taube  
15 said a moment ago a response to these concerns that  
16 R-PACE assessments do not accelerate upon default.

17                   This is not protect homeowners from  
18 foreclosure in Pennsylvania because the tax sale laws  
19 generally require an action to collect tax must be  
20 filed if tax payments including an annual assessment go  
21 unpaid for a specific period of time. For all of these  
22 reasons I detailed and further detailed in my written  
23 testimony that you have as well as the report from the  
24 National Consumer Law Center.

25                   We believe that R-PACE in particular is

1 a bad deal for Pennsylvanians and we strongly urge the  
2 members of this committee to reject efforts to insert  
3 R-PACE into SB234. I'm thankful for allowing me to  
4 testify and I'm happy to answer any questions you have.

5 CHAIRMAN ELLIS: And, again, thank you  
6 for your testimony. Is it your position to support  
7 C-PACE though?

8 MS. MARX: Thank you for your question.  
9 We're not as not against C-PACE. We're particularly  
10 concerned that represent low income residential  
11 customers in Pennsylvania. We don't have a position on  
12 commercial PACE.

13 CHAIRMAN: Thank you. Any questions?  
14 Ms. Marx, thank you very much for your testimony.

15 MS. MARX: Thank you.

16 CHAIRMAN ELLIS: At this point we'll go  
17 onto the Pennsylvania Bankers Association, Olaf Hasse,  
18 Vice - Vice President, Loan Portfolio Risk Management  
19 Officer at F&M Trust. Thank you for being here.

20 MR. HASSE: Thank you for inviting  
21 Pennsylvania Bankers Association to share its views on  
22 PACE. As mentioned, my name is Olaf Hasse and I'm  
23 employed as a Vice President and a Loan Portfolio Risk  
24 Manager at F&M Trust with its main office in  
25 Chambersburg, Pennsylvania and we have offices in

1 Franklin, Cumberland and Huntingdon Counties.

2 I've been in the banking business -  
3 specifically in the lending business with banking for  
4 over 35 years and I have been a former Chair of the  
5 Pennsylvania Bankers Association Lending Advisory  
6 Committee. Over the past couple of years we've had the  
7 opportunity and privilege to work with Senator Blake  
8 and his staff of electrical contractors who requested  
9 the bill introduction. And we believe this discussion  
10 have been beneficial. We appreciate the opportunity to  
11 share our views with you today.

12 Little background. Almost all banks who  
13 are a member of the Pennsylvania Bankers Association,  
14 which is about 120 banks or so of the 180 banks doing  
15 business in Pennsylvania do construction loans,  
16 renovation loans, equipment loans and I personally been  
17 part of the legal process for loans including energy  
18 efficiency projects, energy improvement projects, clean  
19 energy projects over the years. Banks in general use  
20 criteria that are known as policies in the banking  
21 business to approve loans and banks are periodically  
22 reviewed by internal auditors, external auditors, state  
23 and federal regulatory agencies.

24 When those reviews are done not only  
25 does it look at bank policies they look at the sampling



1 of the bank's loans to see that they are being made  
2 being made in a good manner. In contrast PACE loan  
3 programs, financing does not have that type of review  
4 and regulatory overview. So why are we concerned about  
5 PACE financing? And I guess the testimony I've heard  
6 so far I would say that I just bring caution to the  
7 discussion. The reason that many of the properties  
8 which could become eligible for PACE financing or that  
9 are already eligible for PACE financing already have  
10 mortgages on those properties. And the PACE financing  
11 will find any existing loans. As has been discussed  
12 will be similar to property taxes.

13                   As a lender that does raise some  
14 concerns. When a loan is made and a lien is placed on  
15 a property for - for a bank loan the consideration is  
16 given of what kind of equity is in that property. And  
17 this does change that quick. PACE financing could be  
18 quite significant in total as well as annual  
19 assessments. In many cases the annual assessment could  
20 exceed the annual tax for property. In the case of  
21 Senate Bill 234 a concern about the bank's ability to  
22 reserve its lien and payment priority is laid by  
23 provision requiring the property owner seeking PACE  
24 financing and notify the holder of the lien and give  
25 them an opportunity to decide whether to consent in

1 writing to the PACE transaction.

2                   That makes - makes a positive inference  
3 on our stance for commercial PACE. Additionally  
4 there's some risks that needs to be considered. Will  
5 the energy equipment field operate as - as intended?  
6 Will it produce its savings? Will it generate more  
7 quickly than the term of the financing? Will it  
8 ultimately potentially degrade the property versus  
9 improve the property and reduce the property value.

10                   If a property owner has this type of  
11 situation they would still be responsible for the not  
12 yet local tax assessment on top of their remaining debt  
13 that they already have with bank loans. PACE lending  
14 on its face can be very effective with no monthly  
15 payments, with possibly longer terms, but may not be  
16 the most economic solution for owner of the property.  
17 A bank considers each commercial request carefully,  
18 applies stringent strict criteria and structure and  
19 approve the loans and is likely to hold that loan in  
20 its portfolio a significant period of time expecting  
21 repayment.

22                   PACE transactions are frequently  
23 securitized and sold into the secondary market. This  
24 means the risk parameters differ from bank financing  
25 and PACE financing believe is more risky and

1 potentially detrimental to the community. Another  
2 concern is that many agricultural, commercial,  
3 industrial building owners are highly sophisticated  
4 business people and corporations, but some are not.  
5 Some are small business owners and farmers who may lack  
6 means of time and expertise to fully analyze the pros  
7 and cons of PACE financing.

8           A vendor contractor installing equipment  
9 financed by PACE does not have to carefully analyze the  
10 building owner's ability to pay increased local tax  
11 assessment for years in the future. A PACE vendor  
12 contractor is paid when the equipment is installed and  
13 then moves on. I've been talking solely so far about  
14 commercial PACE. Senate Bill 234 is focused on that,  
15 but I'd also like to make a few comments about  
16 potential for residential PACE.

17           Residential PACE financing, as you know,  
18 has been authorized in a number of states,  
19 municipalities. Residential PACE financing represents  
20 giving consumer protection concerns. In addition the  
21 federal housing finance enterprises, Fannie Mae and  
22 Freddie Mac, are prevented from purchasing residential  
23 mortgages where a property is encumbered by PACE loan  
24 holding first lien position.

25           So from the examples that were mentioned

1 earlier if a - if a consumer owns a home today is  
2 selling their home and they have individuals looking to  
3 purchase that home, a large percentage of - at least 50  
4 percent of loans that are made in this country for  
5 residential homes end up going through Fannie and  
6 Freddie Mac. And in that situation the borrower's new  
7 purpose of that property were to borrow and have a  
8 mortgage. Would not be able to get the financing to  
9 purchase that home, which made marketability of the  
10 home that had the PACE loan on it.

11                   Additionally PACE loans may be enforced  
12 subject only to laws governing the collection of local  
13 property taxes and it is unclear whether and to what  
14 extent any residential PACE funding is authorized would  
15 be subject to the consumer protection laws. Does PACE  
16 programs established by county and municipality of any  
17 size from a community or economic development program.  
18 The operation of PACE programs may be subcontracted out  
19 to non-governmental entities. There may be no  
20 centralized supervision or regulation of residential  
21 PACE financing.

22                   While in the context of business and  
23 commercial lending this may be acceptable, but is  
24 highly problematic with respect to residential lending.  
25 For these reasons PA Bankers is proposed to the

1 authorization of residential PACE financing. In  
2 conclusion you should know that this legislation would  
3 authorize a special class in non-residential lenders  
4 financing energy projects with the extraordinary power  
5 to take property tax sale currently reserve local  
6 government. Local tax enforcement is not subject to  
7 require applicable mortgage foreclosure.

8 We question the public policy of  
9 establishing a class of private lenders to exercise the  
10 equivalent of local government tax enforcement.  
11 Pennsylvania Bankers Association is neutral of Senate  
12 Bill 234. As a result we really appreciate the  
13 opportunity to share our views. Thank you.

14 CHAIRMAN ELLIS: Thank you for your  
15 testimony. Couple real quick in your testimony here.  
16 You say PACE transactions are the most frequently  
17 secured by and sold into secondary market, which most  
18 frequently - do you have a number of how often it's  
19 done or compared to a standard loan, how often that's  
20 resold.

21 MR. HASSE: Right.

22 On the commercial side commercial loans  
23 are rarely secured by and resold. Very small. On the  
24 residential side is a very different matter. We're  
25 talking about PACE the majority of those types of

1 lenders do package up the loan and secured and sell  
2 them. And the risk to that is they don't have a long  
3 term responsibility and interest on how PACE financing  
4 performs.

5 CHAIRMAN ELLIS: And then if you could  
6 just walk me through the main holder having the ability  
7 to consent. So I own a business and I have a \$500,000  
8 property, owe \$200,000 on it. I want to upgrade  
9 deficiency I have to check with my -

10 MR. HASSE: Yes.

11 CHAIRMAN ELLIS: - lienholder? And what  
12 - what - how does that work?

13 MR. HASSE: Lienholder - lienholder is  
14 going to take a look at does this make sense borrowing?  
15 Can they afford it? And many say no to PACE loan  
16 financing and/or offer alternates, alternate financing  
17 is a possibility because they're going to - our - our  
18 greatest concern is that the borrower has the ability  
19 to pay the payments on the loan that he has, loans that  
20 they and PACE may make sense. But the first lienholder  
21 should have the opportunity to look at it and the  
22 legislation as now proposed does provide notification  
23 and required approval which makes Pennsylvania Bankers  
24 Association to move from opposed to neutral.

25 CHAIRMAN ELLIS: I do appreciate that.

1 Is this implemented in other states that you know of?

2 MR. HASSE: Yes, sir.

3 CHAIRMAN ELLIS: Okay.

4 And so does that belay the - we had  
5 heard testimony that the upside of the commercial  
6 lending for the C-PACE is that it can be approved and  
7 started relatively quickly? Do they still then have to  
8 go back to when the bank is reviewing it are they going  
9 on a timeline or do you take what would be a normal  
10 length of time in the review process?

11 MR. HASSE: There is - there is no  
12 timeline within the legislation, however, it would  
13 potentially add some time. I think many commercial  
14 borrowers have a relationship with their commercial  
15 lender and would probably be contacting them if there  
16 were considering doing this. So I would - I would hope  
17 that in many cases it should be no delay because there  
18 is that relationship.

19 CHAIRMAN ELLIS: Correct.

20 Thank you. Thank you for your  
21 testimony.

22 MR. HASSE: Thank you.

23 CHAIRMAN ELLIS: At this point we would  
24 invite from Greenworks Lending Aaron Kraus, Director of  
25 Marketing Activation and Policy. Good morning.

1                   MR. KRAUS: Hi. Thank you, Mr.  
2 Chairman. Thank you members of the committee. My name  
3 is Aaron Kraus and I want to talk to you a little bit  
4 about how PACE works and kind of provide some color.  
5 As noted, well over the states of resolution paid about  
6 half of those states have workable programs right now.  
7 Range from Michigan, Texas, Colorado, the profit of  
8 living affected and the reason is very clear in no  
9 public funding and being made whole by state or local  
10 government.

11                   You just mentioned the bank association  
12 that is very interesting. Documented here in all  
13 states as well as around the country the lender must  
14 contend with the debt. So the bank never wants any  
15 other portfolio, they check the one that they want or  
16 they - the protection bankers and make a very good  
17 profit. Banks are going to look at cash over the  
18 project, look at the financial condition of their  
19 borrower and make sure it's right for them. We do that  
20 as well. On the commercial side we underwrite every  
21 single deal. We look at value, we have deb - debt  
22 service coverage ration efforts. We really dive deep  
23 and look at the property we're lending hundreds of  
24 thousands of dollars. It's a little bit different than  
25 a consumer product for a \$7,000 ratio.



1                   So I would think commercial and  
2 residential PACE while they share a very similar name  
3 are very, very fundamental different product. We do  
4 not think they should necessarily be put together in  
5 legislation, that they are very different. Commercial  
6 PACE is if you own a property you have very inefficient  
7 windows that need to be swapped out. Where do you go  
8 to finances a hundred percent of that upgrade? All the  
9 capital coming out from us and the property owner with  
10 money that they have and that financing that we use  
11 oftentimes 20 years at a fixed rate term sheet.

12                   You're going to know what you're paying  
13 every year for the entire term, not just - it's not a  
14 recourse to the owner. If you sell your property in  
15 three years you can pass it off to a new owner. You  
16 can pay it off early if you want to. We can never call  
17 it due under any condition. As I noted, we are not  
18 actually the first position in the capital side. The  
19 only amount that is due we can never call due this year  
20 or in three years, so that's - that's kind of the  
21 problem.

22                   Everything in the future can never be  
23 called. So finance the amount that you owe in year  
24 2023 only can call you in 2023. It's a  
25 non-accelerating nature of what they may pay.

1 Generally it's much more comparable. And well over 100  
2 was Bank National looked like a - look at property at  
3 the project in question and we get the bank on the  
4 phone and they have to sign a form and it goes up to  
5 credit committee. Typically it's a whole process, so  
6 this isn't, you know, going out and knocking on doors  
7 and, you know, trying to, you know, generate it.  
8 Really what the relationship should be with bank and  
9 the property owner.

10                   And I would note, because they're not  
11 coming able - with capital day one, it's such a long  
12 period of time generally are projects producing cash  
13 flow day one. And that's why there's energy efficient  
14 projects that will get done commercial that might not  
15 otherwise get done with another type of lending body.  
16 Very unique financing that - that works in a certain  
17 number of cases.

18                   If you're looking at something and you  
19 want to do the HVAC repair or - or, you know, something  
20 like that and, you know, you want traditional  
21 financing, you put equity down five, seven years  
22 adjustable rate. Often we use credit capacity might  
23 want to do, you know, manufacture widgets or whatever  
24 your business is. And so this is a very elegant way to  
25 kind of finance it over a long period of time,

1 something that may not otherwise do.

2                   Right now Greenworks we're financing  
3 based around the country. We're very excited about the  
4 Pennsylvania market. We think there's, you know, a lot  
5 of big market property commercial really made for that  
6 mid market, small, medium. In fact one of our  
7 partnerships is the National Main Street represent  
8 nearly 1,000 main streets across the country. It's  
9 really for the middle property the - the Fortune 500,  
10 they have access to capital. It's really the guys  
11 that, you know, really would want that part of the  
12 market that's really underserved by energy, water  
13 company. I will stop there.

14                   I will note - just want to reiterate one  
15 more time, all we do is commercial - commercial,  
16 industrial, non-profit. Residential is a different  
17 product. I'm not opposed to residential. My firm's  
18 not opposed to it, but I would say that I would - I  
19 would encourage the committee to consider residential  
20 on its own merit in a different piece of legislation  
21 and just because some of the names are the same and  
22 it's similar. It's actually very, very different.  
23 Thank you for your time and I'm happy to answer your  
24 questions.

25                   CHAIRMAN ELLIS: Thank you. One quick

1 question. How - and I guess how do you get into a  
2 market? Say my municipality, how do they partner with  
3 you or - or one of your competitors? How does that  
4 process work?

5 MR. KRAUS: There's typically a variety  
6 of different of channels. Our primary one is actually  
7 working with a contractor, so electrical or mechanical  
8 contractor goes through the property and goes, hey, you  
9 know, here's - here's a knockout and you're going to  
10 want to come down. And the project stops because  
11 either the property owner has to write a \$1 million  
12 check or they need \$200,000 to go get a loan and do all  
13 of that. And the contractor will say, look, we have a  
14 way to pay for it all.

15 You pay over 20 years at a fixed rate,  
16 you know, and oh by the way if you go tenant then  
17 you're going triple that and it benefits the costs to  
18 your tenant. And so it's a way for the contracting  
19 community to make projects that might not otherwise  
20 happen, happen. And I'm not saying commercial PACE is  
21 going to be applicable in all - not everyone can - but  
22 a property owner - but these projects go, and the  
23 majority of our projects happen because the contractor  
24 is bringing to us and saying, hey, can you finance  
25 this? I'll take it to the property owner and explain

1 how it is if they're interested have them talk to you  
2 and put together the terms and conditions to look at.

3                   And get you in touch with their bank,  
4 start going through the banking process. These  
5 projects are hard for us to do. I mean, as you can  
6 imagine, the whole thing is the bank in, actually  
7 signing the consent form, bank needs to understand you  
8 feel that it's in their interest. As I noted, if a  
9 particular bank never wants it they can just say no  
10 forever and we're okay with that.

11                   CHAIRMAN ELLIS: Any questions?  
12 Representative Heffley.

13                   REPRESENTATIVE HEFFLEY: Thank you, Mr.  
14 Chairman. So you're looking at a 20 year loan payback  
15 and that's a lien essentially on the property or to  
16 property taxes. I - I guess 20 years you're looking at  
17 those energy efficient windows or solar panels,  
18 whatever. Would that include natural gas?

19                   MR. KRAUS: Off the top of my mind,  
20 we've done a lot fuel searching for example, and we'll  
21 go to natural gas, yeah.

22                   REPRESENTATIVE HEFFLEY: So - so - but  
23 you're still looking at like a 20 year payout. I mean,  
24 - so what - the contractor are they guaranteeing you  
25 solar panels are going to be producing at the same

1 level in 20 years as they are -?

2 MR. KRAUS: One thing will be -.

3 REPRESENTATIVE HEFFLEY: But it could be  
4 up -?

5 MR. KRAUS: Yes, up to -.

6 REPRESENTATIVE HEFFLEY: But - so  
7 there's - are there guarantees that the product that -  
8 that would use in alternative financing are going to be  
9 functioning in 20 years?

10 MR. KRAUS: So that - so the contractor  
11 and the property owner, that's their transaction. You  
12 know, we do a third party tech review on all of our  
13 deals, so that third party interested reviewer will  
14 look at the data that the contractor is putting up and  
15 making sure it's reasonable and above board. But  
16 ultimately the contractor and the material that we're  
17 using - solar panels, for example, a relatively new  
18 industry.

19 That industry knows the degradation of  
20 solar panels over the time so they know in the year  
21 2017 what the expected degradation and that would be.  
22 But to your question, the contractor and property owner  
23 just like in any other transaction whether you're using  
24 cash or whether they were using a mortgage or whatever.  
25 They're going to have to make sure they're using

1 contractor.

2 REPRESENTATIVE HEFFLEY: I guess my  
3 concern is so - so it's attached to the property, so  
4 there really is no skin in the game to the individual  
5 other than it has no property, maybe it was property  
6 value and maybe sell property because there's a lien on  
7 it.

8 Correct?

9 MR. KRAUS: Well, there's - I mean, they  
10 own the property and so the marginal increase - I mean,  
11 here it's going to be presented they sell the property,  
12 the next owner is clearly going to do diligence just  
13 like you would on a sewer assessment or any other  
14 assessment and look at it. So you wouldn't want to  
15 load up your property with anything that didn't - and  
16 moreover we would heavily doubt the bank and if -.

17 REPRESENTATIVE HEFFLEY: I guess my - my  
18 only thought is why - I mean, if it's a business and in  
19 fact, you're going to save money why wouldn't you go  
20 through the conventional process of - of making the  
21 conventional loan, going through a bank and - and  
22 refinancing?

23 MR. KRAUS: And oftentimes a property  
24 owner, too, and that's fine. We're under the  
25 realization it has to be paid. But I would say

1 oftentimes with - with a conventional product you're  
2 looking at five, seven years adjustable rate with  
3 equity required. We of course generally do the course  
4 for the corporation and - and sometimes with elongated  
5 energy efficient products the payback is what makes  
6 sense.

7                   So if you're doing an HVAC and an  
8 18-year payback and all you do is sign it to five  
9 years, you're in the red the entire time. And so you  
10 can actually spread out that financing. And the same  
11 reason me and my wife have a 30-year mortgage instead  
12 of a three year mortgage is we'll be able to afford it.  
13 You can actually cash flow the entire time. Many  
14 businesses cash flow is the name of the game. Very  
15 important, but, again, Representative, I'm under no  
16 illusion that property owners a lot of times the bank  
17 when you go to get consent the bank will say, you know  
18 what, we'll finance this and maybe get better terms  
19 than we ever would or able to.

20                   And - and that's fine. You know, this  
21 is - this is a particular type of financing that for a  
22 certain type of property at a certain point in the  
23 property life cycle. Oftentimes they're going to have  
24 to do some things to the building for like a flat fee  
25 going in, but it is not a product in all cases by any



1 means.

2 REPRESENTATIVE HEFFLEY: All right.

3 Thank you.

4 CHAIRMAN KRUEGER-BRANEKY: I'll ask it.

5 Given that you are in the market, what kind of terms  
6 are you talking about and how do they compare to a  
7 commercial property owner can get from a lender?

8 MR. KRAUS: Sure. Well, as I noted, you  
9 know, we lend per statute, and oftentimes most of our  
10 financing is two years. We are a little bit more  
11 expensive than the first - you know, than - than a  
12 mortgage, but far cheaper than the amenity debt or  
13 equity or anything like that. So, you know, but call  
14 it - you know, for 20 years fixed money and that's  
15 going to make a lot of the project very attractive.

16 CHAIRMAN ELLIS: Thank you for your  
17 testimony. It doesn't look like we have any other  
18 questions. At this point we'll move on to the next  
19 testifier, Chester County Economic Development Council,  
20 Smart Energy Initiative. Jim Lauckner.

21 MR. LAUCKNER: Good morning, Chairman  
22 Ellis and members of the House Commerce Committee. I  
23 am Jim Lauckner, Senior Project Consultant to the  
24 Chester County Economic Development Council and I  
25 appreciate the opportunity to speak in support of

1 C-PACE and Senate Bill 234. The Chester County  
2 Economic Development Council has been supporting  
3 companies in and around Chester County for more than 55  
4 years.

5                   It has organized five regional industry  
6 partnerships that have been working with the local  
7 workforce development boards, the PA Department of  
8 Labor and Industry and with the state now operating  
9 without silos this has given us the opportunity for our  
10 industry partnership to work with other departments  
11 such as Commerce, higher ed, social services, PA  
12 National Guard and others. The Smart Energy  
13 Initiative, SEI, is an industry partnership of energy  
14 related companies.

15                   Participating firms come from eight  
16 southeastern Pennsylvania counties and some years we've  
17 had as many as 13 participating counties. From our SEI  
18 website you'll see our mission is to provide the growth  
19 of smart energy industry by providing comprehensive  
20 workforce and economic development services to  
21 partnering companies. What do we consider smart  
22 energy? Smart energy incorporates clean and renewable  
23 energies as well as energy efficiency, conservation and  
24 demand side management products and services. With  
25 more than ten years of bringing firms together to help

1 grow their businesses.

2                   There have been over 2,100 participating  
3 companies in SEI. We have four very active working  
4 groups consisting of 47 solar companies, 25 geothermal,  
5 75 energy efficiency and we have recently started the  
6 new natural gas related group with seven firms so far.  
7 These groups met separately and then jointly on  
8 November 1st, 2017 and again on March 22nd of this  
9 year. While some of these firms compete directly with  
10 each other, such as geothermal installers, they also  
11 compete for the same potential customers, for example,  
12 geothermal versus solar or versus combined heat and  
13 power.

14                   Yet these business leaders come together  
15 for the good of the energy industry as well as their  
16 individual businesses. Large firms such as Honeywell  
17 and Pennoni Associates and smaller independent  
18 businesses such as Brandywine Valley Heating and Air  
19 Conditioning as well as large users of energy such as  
20 Longwood Gardens come together to work to grow their  
21 businesses. During these particular meetings mentioned  
22 above common issues such as the need for financing and  
23 for marketing were discussed at great lengths.

24                   The concept of C-PACE was brought in up  
25 in November and many participants were not yet familiar

1 with the concepts. People in the know such as Steve  
2 Krug of Krug Architects helped to explain and educate  
3 the group. Since the bill was in the news C-PACE was  
4 discussed again in the March meeting and everyone was  
5 in favor of seeing it become law in Pennsylvania.

6                   Certainly private firms have a great  
7 interest in promoting their businesses and see this as  
8 a tool to help them to do so. The CEO of Independent  
9 LED, which manufactures LED lighting here in  
10 Pennsylvania, support the concept and was asks if there  
11 would be any support of the Buy American Act. However,  
12 no firm brought up any objections about C-PACE. The  
13 firms participating in SEI want to see new and better  
14 ways to finance and then inform their potential  
15 customers about the program and how it applies to the  
16 energy industry.

17                   It was noted that most companies are not  
18 in the business of alternative energy nor energy  
19 efficiency, they are consumers of energy. C-PACE could  
20 be another tool to help firms move forward with energy  
21 projects and pay for them over time while lowering  
22 their energy costs and use. The Chester County  
23 Economic Development Council and the Smart Energy  
24 Initiative are in favor of SB 234.

25                   SEI companies are willing to help get

1 the message out and help C-PACE become a successful  
2 program in Pennsylvania. Thank you for your time and  
3 I'll answer any questions you may have or at least I'll  
4 try to.

5 CHAIRMAN ELLIS: I appreciate your  
6 testimony. Just real quick. It says they are a  
7 company asking about the Buy American Act.

8 MR. LAUCKNER: Yes.

9 CHAIRMAN ELLIS: Is that all in this  
10 legislation?

11 MR. LAUCKNER: It is not.

12 CHAIRMAN ELLIS: Okay.

13 Thank you. Any questions? Thank you  
14 for your testimony.

15 MR. LAUCKNER: Thank you.

16 CHAIRMAN ELLIS: And our final testimony  
17 - testifier BlueGreen Alliance. Khari? Yeah, Khari  
18 Mosley, PA Regional Programs Manager. Thank you for  
19 being here today.

20 MR. MOSLEY: Good morning. My name is  
21 Khari Mosley and I am the BlueGreen Alliance's Regional  
22 Program Manager for Pennsylvania. And thank you,  
23 Chairman Ellis, Democratic Chairman Krueger-Braneky and  
24 all the members of the Commerce Committee for holding  
25 this hearing on Senate Bill 234 and inviting BlueGreen

1 Alliance to testify today.

2           The BlueGreen Alliance unites some of  
3 America's largest unions and most influential  
4 environmental organization to solve today's  
5 environmental challenges in ways that create and  
6 maintain quality jobs and build a stronger and fairer  
7 economy. We bring labor union and environmentalists  
8 around three key areas here in Pennsylvania.

9           First, innovating, building and  
10 installing the clean economy, clean energy, energy  
11 efficiency, safe chemicals and clean vehicles which  
12 protects the environment, creates quality jobs and  
13 ensures the health of workers and the environment.  
14 Second, repairing Pennsylvania's infrastructure to  
15 create quality jobs, protect the health of workers and  
16 communities, reduce the emissions driving climate  
17 change and build a stronger, more resilient system for  
18 the future.

19           And finally supporting fair trade. We  
20 can only achieve a thriving and fair clean economy if  
21 our international trade and climate agreements raise  
22 standards for workers, consumers and the environment.  
23 I am pleased to be here today in support of Senate Bill  
24 234. It represents a great opportunity to create and  
25 sustain quality jobs in our state by providing

1 businesses low cost financing to update their property  
2 to be more energy efficient and to improve their  
3 properties with clean energy technology.

4           Nationally at the end of 2016 investment  
5 in PACE projects surpassed \$300 million. More than  
6 half that financing was used for energy efficiency  
7 upgrades and the majority of the projects were in the  
8 office, retail and industrial sections. That  
9 investment means good jobs. This bill is an  
10 opportunity for our state to take leadership in  
11 creating good jobs, boosting energy and water  
12 efficiency efforts in commercial and industrial  
13 buildings and helping to ensure that businesses can  
14 remain competitive in an increasingly competitive  
15 global marketplace.

16           The legislation will provide new  
17 financing opportunities for small businesses to make  
18 cost saving energy efficient investments. Right now  
19 Pennsylvania is an island. PACE has already used in  
20 many other states, including our neighbors Ohio,  
21 Maryland, New Jersey and New York. Passing Senate Bill  
22 234 would help us compete with those states to retain  
23 and attract businesses. Commercial PACE is a voluntary  
24 program. It simply provides the mechanism that would  
25 enable municipalities or counties to work with private

1 lenders to aid the business community in attaining low  
2 cost financing to do those improvements.

3           And passing Senate Bill 234 would  
4 provide both local communities and the business  
5 communities the choice as to whether or not they would  
6 tap into the program. PACE funding is long term and  
7 can be used for all aspects of the project including  
8 design and project development. I would like to add  
9 that it is important that Senate Bill 234 focuses  
10 solely on commercial PACE at this time. Commercial  
11 PACE projects can employ a large workforce of skilled  
12 tradesmen and tradeswomen that single family  
13 residential projects cannot due to scale.

14           Residential PACE also presents a number  
15 of challenges of various concerns by consumer  
16 protection advocates, banking communities and realtors.  
17 The broad based bipartisan coalition is here today  
18 would not be able to be printed if R-PACE is included  
19 in Senate Bill 234. I urge the committee to pass  
20 Senate Bill 234. This is a bill that can and will  
21 create and sustain good jobs in communities, give  
22 communities and businesses the choice and opportunity  
23 to participate in the program and will help reduce  
24 energy and water use and increase the use of clean  
25 energy technology in our state.



1                   It is incumbent upon all of us to work  
2 together to build a better future for generations to  
3 come. Senate Bill 234 is an opportunity for us to do  
4 just that. Thank you for your time. We appreciate  
5 your interest. I'm happy to answer questions.

6                   CHAIRMAN KRUEGER-BRANEKY: Thank you,  
7 Khari, and thank you for the long advocacy that  
8 BlueGreen Alliance has had with this issue. I guess I  
9 wasn't sure who on the panel I ask this of, but given  
10 that BlueGreen works on this I'm wondering if you can  
11 answer this. So I know that the legislation on page  
12 six actually requires a municipality to pass an  
13 ordinance and resolution to enable the legislation. Do  
14 you have any sense of what staff municipality or county  
15 you have to go through for this to be local level?

16                   MR. MOSLEY: I believe - I think it  
17 needs to pass the local organization by majority vote  
18 and a local municipal body whether the township or a  
19 larger city like Pittsburgh, Philadelphia. I think  
20 majority vote by council.

21                   CHAIRMAN KRUEGER-BRANEKY: Okay.

22                   So if this bill were to be signed into  
23 law by the Governor and passed onto the Senate then in  
24 order for it to actually go in effect the local  
25 municipalities have to pass an ordinance?

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MR. MOSLEY: Right.

CHAIRMAN KRUEGER-BRANEKY: Okay.

Thank you.

CHAIRMAN: At this point we don't have any other members here, so I will conclude the meeting. I want to just thank, first of all, the university - let me correct. Harrisburg University for allowing the opportunity to be here today. I'd also like to thank all of folks in attendance and those who testified.

It is the intention of mine to run this bill out a committee on May 1st, so continue to aggressively contact and inform our members, not just on the committee, but I do believe the whole house needs to be educated the way you would have taken the time to educate us today. But we will be running it May 1st. So thank you very much for your attendance. Have a great day.

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HEARING CONCLUDED AT 2:46 P.M.

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CERTIFICATE

I hereby certify, as the stenographic reporter,  
that the foregoing proceedings were taken  
stenographically by me, and thereafter reduced to  
typewriting by me or under my direction; and that this  
transcript is a true and accurate record to the best of  
my ability.

  
Cynthia Ann Simpson  
Court Reporter