

**Open Work Session**  
**Clean Energy Loan Program**  
**March 20, 2018**

Mr. Bill Chambers, President and CEO of Salisbury Area Chamber of Commerce, and Mr. Robert Greenlee, Managing Director of Sperry Van Ness, came before Council. Mr. Chambers thanked Council for affording them a few minutes to talk about the Maryland commercial PACE Program, the acronym for Property Assessed Clean Energy. He said the PACE Program is an effective way for County Governments to create jobs, retain businesses, and keep dollars in the local economy without raising taxes simply by helping to make commercial properties more energy efficient. He said Counties can leverage PACE for economic development, lower operating costs to help retain local businesses, improve the value of local building stock, reduce reliance on foreign fuels, and provide more local jobs to keep dollars in the economy. He said the PACE Program was approved by Maryland in 2014, and he thinks there are fourteen Counties that have adopted it now. He said, since property taxes are collected at the County and City level, the law requires that local ordinances also be passed to take advantage of PACE financing. He said the Maryland PACE Program allows Counties in Maryland to enter into partnership with a State Agency, the Maryland Clean Energy Center, to join a statewide standard PACE Program at no cost to the County. He said the Maryland PACE Program works with the County to pass the ordinance, intake and approve PACE projects, train local contractors and capital providers, establish procedures to place PACE surcharges, facilitate collections, and remit payment to capital providers. He said it is his understanding that the PACE Program is something Council had talked about a few years ago, but there was not a project ready to go that could take advantage of the program. He said they now have a project ready to go at 132 Main Street, and there are also projects SVN has identified that qualify for this.

Mr. Greenlee said, in Easton, they have started assembling a group of professionals who can address all the different energy components of a given property. He said, in the audience is the gentleman who is handling the solar piece for this effort. He said the PACE Program, as they understand it, addresses energy including solar, plumbing, electricity, lighting, doors and windows, insulation, and kind of everything they can imagine that contributes to the energy expense of a given building. He said it is, obviously, of interest to SVN that they are able to present their property management clients and others the opportunity to not only manage their energy expense, but also, if they are interested, to green-up their buildings, and this represents a great opportunity to do that. He said they do have a number of projects they are looking at here in Salisbury, and they have some they are looking at in Easton. He said there are some already in Kent County, and, on the Western Shore, he thinks there has been quite a bit of this kind of activity. He said, from his understanding, the basic mathematics are that, after this initiative using the PACE Program as a vehicle, the energy expense plus the real estate tax expense, in the current environment, will reduce the total cost. He said they are spending more money to get the energy efficiency in place, but then reducing the total cost of the energy by quite a margin. He said he does not know that he can necessarily speak to this specific project today, but they do have some major buildings and facilities in Salisbury that are interested, as they speak, and hoping this program can be introduced and move forward.

Mr. Kilmer said, as he understands it, from the County level, their involvement would be, essentially, they would collect the money. He then asked if there would be a surcharge on the taxes to help repay the loan, basically, to which Mr. Chambers responded, that is correct. Mr. Kilmer then said he would be interested in knowing what their Finance Director's thoughts are in terms of how that would work with

the County. Mrs. Dawn Parks, Director of Finance, then came before Council. She said she has talked to a few of the other Counties, and those she has talked to do not have any businesses in place yet that are doing this. She said those Counties' Departments of Economic Development are actually managing the applications. She said, at that point, they would get a list of properties, put them on the tax bills, and collect the money. She said she is not sure where the money goes from there because she has not gotten that far. She said, as far as putting it on the property tax bill, there is not an issue with that. Mr. Kilmer clarified, Mrs. Parks would not consider this a burden, to which Mrs. Parks responded, no. Mr. Chambers said there has been no adverse fiscal impact to the other Counties that have adopted this, but what it has done has just opened the door for more energy efficient projects. He said the 132 East Main Street project is going to be gutted from the second floor up to the fourth floor, and they are adding additional floors, so they are going to create residential as well as mixed use with that building. He said two other projects that are identified are One Plaza East at a quarter of a million dollars for new energy efficient windows, and the City Center will also be putting new energy efficient windows and an elevator in, and that is a quarter million-dollar project. He said 132 East Main Street is a \$3-million-dollar+ renovation project, so he thinks these are all vital components, and that is why the Chamber feels strongly that this is something they ought to seriously consider. Mr. Cannon said that is a huge undertaking, and he can see with the cost they are suggesting, that will be needed through this program, and that is a big part of it.

Mr. Chambers said they just wanted to present this for Council's consideration, and, hopefully, they can look forward to some legislation that would then enable the program to begin as a part of some things they can do to lure businesses to the County. Mr. Greenlee said he would just like to add that one of the benefits of having the PACE Legislation in place is that it frees up funds to flow through the program. He said they have a heavy financing contingent as part of their group, and also a grants writing contingent as part of their group, so this would allow all of that to really happen. He said the providers are in place already, and this is really a vehicle that coordinates the financing, and then all of this flows through it.

Mr. Cannon said he appreciates this Program, and would not have expected any less from Mr. Chambers, as it is an inclusive package including recommendations on how the Resolution could be presented. Mr. Cannon said Mr. Taylor has reviewed this. He then asked if Mr. Taylor has any suggestions or recommendations on that end, to which Mr. Taylor responded, he has just a couple of thoughts. He said he has looked at a couple of the other codes from the Western Shore, in particular. He said Montgomery and Baltimore Counties both have an upper limit to what the loan can be. He read "The loan under this program basically should be not more than 20 percent of the full cash value of the property or the appraised value of the property, and together with the outstanding balance with the mortgage or deed of trust may not be more than 90 percent of the full cash value or the appraised value of the property. The full cash value is determined by the State Department of Assessments and Taxation. The appraised value may be certified by a certified real estate appraiser not more than 12 months before the date of the loan application." Mr. Taylor said that is one thing that he thinks is worth considering. He said it might be helpful to talk to those Counties about why they put that in place, and, specifically, what, if any, consequences there have been. He said it does not have to be 20 percent, and, obviously, it could be some other number. He said, in fact, he believes, in one County it is 10 percent. He said he has just a couple of other quick thoughts. He said he thinks this is already in the draft ordinance that is in the briefing book that there can be any lender, and it is not restricted to one particular lender. He said that is already in there. He said there is just another housekeeping matter, which does not really change anything substantively, but he thinks it is a good idea. He then said, in the proposed ordinance, it defines a commercial property by what it can be used for. He said that particular definition is out of the State Enabling Legislation for this program, and it is fine, but he would suggest this as another way to

skin the cat, and they have done this in other Counties to define commercial property to have the same meaning as what is specified in the State Code. He said the reason for that is, if the State Code is changed, then it is automatically changed in the local program, so that is kind of a housekeeping matter. He said he does point out that a County or municipality, either one, can have this program, and it does not have to be the County in the case of Salisbury.

Mr. Chambers said, just to dovetail on Mr. Taylor's comments, that is a good point on Montgomery County. He said he knows they put the cap there because there were several projects that were eligible that were in the \$100 million plus range, so he thinks that is probably a big reason why they placed a percentage cap on that, given the scope of those kinds of projects in that jurisdiction.

Mr. Joe Holloway said, a few years ago, the County went with an energy efficient lighting and heating energy project that was supposed to save the County a lot of money, and he does not think it quite worked out that way. He then asked what kind of audit is going to be done to make sure this is paying off, to which Mr. Chambers responded, the PACE Program incorporate all of those guardian elements into it. He said he reviewed information on their website about the kinds of inspections and approvals that a project has to get in terms of meeting energy efficient needs, in terms of everything from the infrastructure to the actual appliances that go in, whether they are talking solar or other items. Mr. Joe Holloway again asked if there will be any audits done, to which Mr. Chambers responded, the State, under the Maryland PACE Program, which is under the Maryland Energy Administration, conducts those. Mr. Greenlee said one of the things SVN is encouraging is a more comprehensive approach, so to isolate out lighting, or any one of the energy features, may not pay or pay back as well as a more comprehensive approach, and that will be their initiative in this respect.

Mr. Cannon said, with what Mr. Chambers is presenting, and what Mr. Taylor would recommend, they will try to coordinate some type of, he is assuming, Resolution that will need to come before Council, to which Mrs. Hurley responded, she believes legal counsel is recommending a Legislative Bill for this project. Mr. Taylor said, as far as he is aware, most other Counties have done it by Legislative Bill. Mr. Cannon asked Mrs. Hurley to coordinate those efforts together with Mr. Wilber, and get something substantial to come back to Council. He said he would certainly want to review it with the gentlemen present to make sure they are not compromising this program. He said they have to look out for the County's safety as well, and that is understood, but, at the same time, they do not want to compromise the program. He said they need to find a good fit for everyone, and then get it back to Council, to which Mrs. Hurley responded, she certainly will. There was no further discussion.

*Signatures on next page*

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John T. Cannon, President




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Larry W. Dodd, Vice President, District 3



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Ernest F. Davis, District 1



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Marc Kilmer, District 2

absent  
John B. Hall, District 4



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Joe Holloway, District 5

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Matt Holloway, At-Large



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Laura Hurley, Council Administrator