



## PACE Wisconsin Program Guidelines 4.0

Date: May 6, 2022  
To: Wisconsin PACE Commission  
From: Slipstream, PACE Wisconsin Program Administrator  
Subject: PACE Wisconsin Program Guidelines

### Background

The passing of 2021 [WISCONSIN ACT 175](#) changed the PACE program standards by removing some requirements and adding eligibility for new types of building improvements. In response Slipstream has drafted an updated version 4.0 of the PACE Wisconsin Program Guidelines that responds to legislative changes and ensures the integrity of the PACE Wisconsin Program. There are three main categories of changes:

1. Addition of reliability, resiliency, and stormwater as eligible project types,
2. Deletion of the savings guarantee mandate and the removal of the Savings to Investment Ratio requirement for projects
3. Addition of floodplain ordinance compliance for resiliency projects

### Summary of Proposed Adjustments

#### Reliability, Resiliency and Stormwater Improvements (Non-Resource Improvement)

This new topic area required extensive additions to the Guidelines. For ease of discussion these were clustered under the new heading of "Non-Resource Improvement (NRI)." The definition being:

A Brownfield Revitalization Project, EV (Electric Vehicle) Infrastructure Improvement, Resiliency Improvement, Energy Reliability Improvement, or Stormwater Control Measures. The types of projects create public benefits but may not result in energy or water savings for an Eligible Property.

The Statue outlines some definitions for resiliency and reliability and states that these projects along with brownfield, electric vehicle infrastructure and stormwater projects do not have to complete an Energy Assessment. However, Slipstream staff felt it was essential to create a Project Analysis that would be required for these projects to ensure they have an impact on the long-term stability of the property. Section 4.4 Project Analysis Requirements for Non-Resource Improvements was added with subsections:

- 4.4.1 Resiliency Projects
- 4.4.2 Stormwater Control Measures
- 4.4.3 Energy Reliability Improvement



Slipstream is a part of a state-wide sustainable agriculture work group and was able to incorporate some of the innovations from that group. In addition, research into energy reliability and stormwater was conducted. The result is the addition of terms and sections that will ensure these new project types are qualified and will have impact for property owners.

#### Definitions Added

- **Agroforestry** – Agroforestry is the intentional integration of trees and shrubs into crop and animal farming systems to create environmental, economic, and social benefits
- **Microgrid** – A group of interconnected electrical loads and distributed energy resources that acts as a single controllable entity with respect to the grid. A Microgrid can connect and disconnect from the grid to operate in grid-connected or island mode.
- **Energy Reliability Improvement** – An improvement to premises that increases the reliability of energy usage, at the premises, including energy storage or backup power generation improvements or improvements that facilitate participation in a microgrid. Some, or all, energy supplied to an Energy Reliability Improvements is produced by an on-site Renewable Energy Improvement
- **Resiliency improvement** – An improvement to a premises intended to increase resilience or improve the durability of infrastructure, including an improvement intended to improve storm and wind durability or wind resistance or to assist in fire suppression or mitigation of damage from flooding.
- **Silvopasture** – This is the deliberate integration of trees and grazing livestock operations on the same land. These systems are intensively managed for both forest products and forage, providing both short-and long-term income sources.
- **Storm Water Control Measure** – An improvement to a premises that uses structural or nonstructural measures, practices, techniques, or devices designed to mitigate the negative impacts of storm water runoff or other surface runoff to the premises, including an infiltration system, wet detention pond, constructed wetland, grassed swale, or vegetative roofing system. “Storm water control measure” does not include a rain barrel or cistern designed for temporary storage of precipitation.

#### **Removal of The Savings Guarantee Mandate and The Savings to Investment Ratio**

The Savings Guarantee and the Savings to Investment Ratio created challenges for PACE borrowers in Wisconsin. The new state law removes those requirements and adds language to mandate Verification Reporting. The Guideline changes address these changes and include adjustments to the requirements of an Energy Assessment, benefits of High-Performance Building category and the removal of the “Large” vs. “Small” PACE Financing.



The updated Guideline removes the Savings Guarantee however it strengthens the verification language. The Energy Savings Guarantee was a requirement for “Large PACE Financing” and there were caveats for “Small” projects. Under the new Guidelines all borrowers, regardless of loan size “must obtain and execute a contract for the Energy Assessment Provider to prepare a Completion Verification Report”. This cost can be included as a soft cost for the PACE loan and final Verification Report should be supplied to PACE Wisconsin by the latter of 18 months after the closing of the PACE Financing, or the property stabilization date indicated in the property appraisal. Violation of this provision is outlined in the PACE Special Charge and Finance Agreement in Section 4.16: Engineering Commissioning and Verification. A template of the Completion Verification Report is provided as *Appendix I Completion Verification Report Template*

Regarding the Savings to Investment Ratio (SIR), the Slipstream staff had extensive discussions about the best approach to replace the SIR with a meaningful requirement. We engaged our technical resources department to gather their input and talked with program administrators from other states. The result is a baseline requirement at least 10% energy savings above code and a new Prescriptive Measures pathway for eligibility. In February 2022 Wisconsin PACE updated the Guideline to use the current Wisconsin State Energy Code (ASHRE 2015). Prior to that the program was using the ASHRE 2010 as the baseline for improvements. Raising the bar for the baseline energy code will impact the savings of projects that are funded, and this new Guide will ensure that **projects go above that code by at least 10%**. Staff also felt it was important to add a prescriptive measure pathway that would not require a consultant to perform a full Energy Assessment. In this approach measures are eligible if they meet energy performance requirements specified in the Focus on Energy incentive catalog corresponding to the property type and applicable measure type. Focus on Energy incentive catalogs may be accessed at <https://www.focusonenergy.com/business/catalogs>.

In addition, these measures are eligible for incentives through Focus on Energy. Both approaches are open to all projects “large” or “small.” The new Guideline also added requirements to the Energy Assessment such as the inclusion of construction documents and baseline and proposed building site and source energy use intensity (EUI).

The High-Performance Building category was changed because of the elimination of the SIR (Savings Investment Ratio). This category is an incentive for owners to build a better building and these projects can benefit from a reduced origination fee and a longer loan term (as described in Section 4.2)

- If the PACE Financing is for a High-Performance PACE Project, the fee is equal to 0.75 percent of the PACE Financing amount.
- Property Owners who complete High Performance PACE Projects benefit from a longer loan term, as described in Section 4.2 Eligible PACE Projects and from a reduced Program Fee, as described in Section 7.1 Program Fee and may also



## **Floodplain**

The statute also added required that resiliency projects comply with local floodplain ordinance and that was added to the Guidelines. PACE Projects that include Resiliency Improvements must comply with the local Floodplain zoning ordinance unless all the following apply:

- 1.1. If the premises is a nonconforming building, as defined in Section s. 87.30 (1d) (a) 1. of the Wisconsin State Statutes, the building would be permanently repaired, reconstructed, or improved to comply with all applicable requirements of the floodplain zoning ordinance for the area of the floodplain that it occupies after completion of the resiliency improvement.
- 1.2. If the political subdivision participates in the national flood insurance program, the owner or lessee of the premises agrees to maintain any flood insurance policy required under the program for the premises.

**Flood Insurance Certification** If the PACE Project includes a Resiliency Improvement and the Property is in a political subdivision that participates in the National Flood Insurance Program, Property Owner shall provide a signed certification that they will maintain a flood insurance policy for the Property throughout the term of PACE Financing.

## **Comments or Concerns**

Slipstream welcomes any questions or comments from members of the Wisconsin PACE Commission regarding the stakeholder comments or the recommended responses to those comments. Please contact:

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