



# **NEW CONSTRUCTION**

## **Straw Proposal**

**by MassDevelopment and the Department of Energy Resources**

**December 2022**

# LEGISLATIVE BACKGROUND: **COMMERCIAL PROPERTY ASSESSED CLEAN ENERGY (PACE) IN MA STATE LAW**

**2016: PACE enacted for energy improvements to existing buildings and renewable energy systems**

**2022: Amendments to PACE statute extending program eligibility to new construction**

## **CHAPTER 25A**

Section 6: (13) Changed requirement for the evaluation of the energy cost savings of commercial energy improvements by the Department of Energy Resources (DOER) to either exceed energy code requirements or meet standards for energy performance set by DOER and Mass Development.

## **CHAPTER 23M**

Section 1: Extends the definition of 'Commercial energy improvements' to include new construction and removes eligibility of natural gas pipelines for PACE financing.

Section 3.(b): Retains the requirement for PACE program guidelines to include standards for projects such that the energy cost savings of the commercial energy improvements over the useful life of the improvements exceeds the costs of the improvements, including any financing costs and associated fees.

## DEFINITIONS: Total Eligible Construction Cost

**Total Eligible Construction Costs (TECC): Hard and soft costs** directly related to a building's design and construction that may be included in the calculation of amount allowable for PACE financing.

Ex: architectural, engineering and design services, construction costs, energy consuming equipment and energy saving measures, plumbing

*Note:*

- *Program guidelines will include greater detail of eligible construction costs*
- *Maximum TECC subject to approval by PACE Technical reviewer*
- *Equipment and measures must be permanently affixed to the property*

## DEFINITIONS: PACE NEW CONSTRUCTION

Eligible projects include **commercial, industrial** or **multi-family buildings with 5 or more units** that are any of the following:

- **New construction\***
- **Large Addition\*\*** (over 20,000 sq ft)
- **All-electric Alteration-Level 3\*\*\*** to an existing building that follows Chapter 4 of the IECC or Stretch Energy Code or Municipal Opt-in Specialized code

### Note:

- **Alterations less extensive than Level 3 and change of use** following Chapter 5 of the IECC or stretch code are **not eligible** as new construction but may apply for PACE financing as building renovation projects
- \*Applicants should apply to PACE Massachusetts prior to permit application. Applicants may also apply during construction but must be approved for C-PACE financing **prior to** receiving a temporary or final **Certificate of Occupancy**.

*Note: Exceptions will be made for retrospective projects that received a building permit between 11 Aug 2022 and date of release of the guidelines for PACE for new construction*

- \*\* As defined at IECC 2021, Section 202
- \*\*\* As defined at IEBC 2021, Section 604

## DEFINITIONS: RENEWABLE ENERGY SYSTEMS

Renewable energy improvements eligible for PACE Massachusetts:

- Massachusetts **RPS Class I** technologies
- Massachusetts **APS - Renewable Thermal** technologies
- Massachusetts **SMART program- Energy storage** technologies

*Note:* Renewable Energy Improvements must be owned by the benefitted property owner. Power purchase agreements and equipment leases are not eligible for PACE Massachusetts financing. Always refer to the latest APS and RPS Class I Regulations posted on the MA DOER web site < <https://www.mass.gov/service-details/statutes-regulations-and-guidelines>>

<https://www.mass.gov/doc/225-cmr-14-renewable-energy-portfolio-standard-rps-class-i/download>

<https://www.mass.gov/files/documents/2019/07/01/225%20CMR%2016%20APS%20Regulation%20CLEAN%20FINAL%20%28060619%29.pdf>

<https://www.mass.gov/doc/225-cmr-2000-final-071020-clean/download>

# Project Pathway 1: Project-Specific Savings-to-Investment Ratio (SIR)

PROJECT TYPE	QUALIFYING CRITERIA	MAXIMUM AMOUNT ALLOWABLE FOR PACE FINANCING
<b>1A. Renewable Energy Systems alone</b>	SIR Required: Energy cost savings must exceed cost of measures	<b>Entire Cost</b> of measure
<b>1.B. Prescriptive Pathway</b>	<p><b>Condition 1.</b> Building must conform to CC104 (<b>all-electric pathway of the Municipal Opt-in Specialized Energy Code</b>) and use Section C401.2.1. Part 1 (<b>Prescriptive compliance</b>)</p> <p><b>Condition 2.</b> SIR required: Energy cost savings must exceed <b>incremental</b> cost of measures (Minimum Baseline is MA State Building Code- 780 CMR)</p>	15% of TECC

# Project Pathway 2: Pre-Approved Savings to Investment Ratio (SIR)

The following pathways are pre-approved because their SIRs have already been evaluated as cost-effective by the Stretch Code Pricing Analysis available at <https://www.mass.gov/doc/stretch-code-pricing-analysis/download>

PROJECT TYPE	QUALIFYING CRITERIA	MAXIMUM AMOUNT ALLOWABLE FOR PACE FINANCING	
<b>2.A. Whole Building Pathway :</b> Targeted Performance	<i>Option 1:</i> Building must conform to CC104 ( <b>All-electric pathway of the Municipal Opt-in Specialized Energy Code</b> ) and use Section C401.2.1. Part 2 ( <b>Targeted Performance Compliance</b> )	25% of TECC	
	<i>Option 2:</i> Building must conform to CC105 ( <b>mixed-fuel building pathway of the Specialized Municipal Opt-in code</b> ) and use Section C401.2.2 Part 1 ( <b>Passive House compliance</b> )	15% of TECC	
<b>2.B. Whole Building Pathway:</b> Relative Performance	<i>Condition 1:</i> Building must conform to CC104 ( <b>All-electric pathway of the Municipal Opt-in Specialized Energy Code</b> ) and use Section C401.2.1. Part 3 ( <b>Relative Performance compliance</b> )	BPF Factor <b>lower by at least 5%</b> than Table 4.2.1.1.	10% of TECC
	<i>Condition 2:</i> Building Performance Factor ( <b>BPF</b> ) must be <b>at least 5% lower</b> than relevant value in table 4.2.1.1. Maximum amount allowable for PACE financing increased if BPF is at least <b>10% lower</b> (see column to the right)	BPF Factor <b>lower by at least 10%</b> than Table 4.2.1.1.	15% of TECC

## IMPORTANT DATES

<b>14 Dec 2022 – 6 Jan 2023</b>	Public comment period for straw proposal
<b>Jan 2023</b>	Public comments will be reviewed and incorporated into guidelines as appropriate
<b>Feb 2023</b>	Release of guidelines for CPACE for New Construction

### **11 Aug 2022:** *Statute amended*

Eligible projects must have building permits issued after this date

- New Construction projects eligible
- No new applications for natural gas line extension accepted



## Straw Proposal for Public Comment

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PACE Massachusetts is seeking public comment on its Straw Proposal for extending the PACE program eligibility to new construction, consistent with the recent statutory amendments.

Please submit comments electronically to [pace@massdevelopment.com](mailto:pace@massdevelopment.com) with the subject line “PACE MA for New Construction Straw Proposal Comments.” Alternatively, written comments may be submitted via postal service to the MassDevelopment, 99 High Street, Boston, MA 02110. Attention: PACE Program.

**Public Comments will be accepted until 5 pm on Friday, January 6, 2023.**