



Nov 30, 2017

**Categories:**

[Publications](#)

**Authors:**

[Emmett M. Kelly](#)

[David A. Rogers](#)

[Patrick Woodside](#)

# How political subdivisions can finance energy efficiency improvements quickly with existing cash flow

---

Property Assessed Clean Energy or "PACE" financing is used in Ohio and many other states. It finances clean energy and energy efficiency improvements to buildings (PACE projects) by borrowing 100 percent of the costs, and securing the loan with a bond issue secured by a "special assessment" tailored specifically for that individual project. When PACE is used by a private company, it requests that a new special assessment be levied on the site and building where the PACE project will be installed. The assessments are collected over several years; usually 15 to 25. Assessments are then pledged to a bond trustee, to repay the upfront money for the PACE project. As a current obligation on the real property tax bill, this special assessment payment is not a form of indebtedness, but instead is classified as a current obligation. Legally, the PACE special assessment lien is equal to and collected the same as real property taxes, but it is not a property tax. Like taxes, the assessment cannot be accelerated, which allows mortgage lenders to be comfortable with the lien.

Ohio Revised Code (ORC) Chapter 1710 governs Ohio's PACE financing. PACE projects include solar, geothermal, wind and a broad range of energy efficiency projects, including but not limited to lighting upgrades, building control upgrades, and more efficient HVAC systems, windows, insulation and roofing.

Of most interest, the Ohio law, and the PACE statute in some other states, allow governmental units like municipalities, townships, counties and school districts to request a PACE special assessment like any other property owner. The levy of this particular special assessment does not affect the governmental unit's general exemption from real property taxation. This special assessment would probably be the only item on the governmental unit's "tax bill."

A great advantage of PACE financing for any governmental unit is that it is treated as a current obligation rather than debt, for purposes of state law, including ORC Chapter 133. Contrast Section 133.06(G) where you issue notes for the purpose of financing energy upgrades. The notes issued under Section 133.06(G) classify as debt and are subject to the special debt limitation within Section 133.06(G). The special assessments due through PACE financing are current obligations subject to appropriation, and are not subject to debt limitations.

Also, PACE financing is relatively quick and usually does not need to be approved by the Ohio Facilities Construction Commission (OFCC). It also may be exempt from your normal competitive bidding procedures, if you work with an Ohio port authority to issue the bonds financing the PACE project.

PACE financing, if properly structured with reduced energy costs, usually ends up with positive or near positive cash flows and 100 percent financing.

## Summary

You may be able to use PACE financing for energy upgrades and other PACE projects without incurring debt, OFCC approval, or competitive bidding. Finally, with 100 percent financing you will not expend any cash up front and there should be no negative effect on cash flow.

## Next Steps

If you are interested in more information about PACE financing for your projects, contact David Rogers, [Emmett Kelly](mailto:ekelly@fbtlaw.com) (ekelly@fbtlaw.com or 614.559.7255) or [Pat Woodside](mailto:pwoodside@fbtlaw.com) (pwoodside@fbtlaw.com or 513.651.6701).

© 2026 FBT Gibbons LLP. May be considered attorney advertising in some jurisdictions.