

Jeremy Thiesfeldt

STATE REPRESENTATIVE • 52nd ASSEMBLY DISTRICT

Testimony on Senate Bill 692 The PACE Modifications Bill

Senate Committee on Government Operations, Legal Review and Consumer Protection

Hello Chairman Stroebel and Honored Members of the Committee. Thank you for holding a hearing today on Senate Bill 692, the PACE Program Modification Bill. Wisconsin's Property Assessed Clean Energy (PACE) programs create a mechanism for local governments and commercial, industrial, agricultural, or multifamily properties to partner in the financing of energy efficiency and renewable energy improvements. PACE is different than other financing as loans are attached to the property, not the person. This bill will allow this unique and important program to transform into a more effective and better utilized program, thus driving more public-private partnership to help promote local growth and to keep employers invested locally.

The number of loans made by PACE programs has been increasing in recent years as local governments have recognized the opportunity to invest in community development with little taxpayer risk and as business owners have looked to finance improvements to their buildings in ways that can help them save money.

In Wisconsin, two PACE programs exist, PACE Wisconsin and Milwaukee PACE (for the City of Milwaukee). PACE Wisconsin was launched in 2016 and to date has 46 participating counties. Managed by Slipstream, local governments have little to no logistical burden. PACE Wisconsin's open market – meaning they'll work with any qualified lender or contractor – has led to nearly \$50 million in financed projects with millions in estimated savings across 23 Senate Districts, including recent projects in Brookfield, Chippewa Falls, Fond Du Lac, Green Bay, Hartford, Madison, Neenah, Sister Bay, Spooner, Stevens Point, Waterloo, and many more communities.

Drafted in consultation with stakeholders, this bill makes a series of updates to our PACE statutes to help expand the program's function and provide more opportunities for local development. First, the bill expands the list of projects that may be financed to include energy reliability improvements, weather-related resiliency projects, electric vehicle charging infrastructure, and stormwater control measures. This bill also changes the types of assessments, which currently may be costly, that must be provided in advance of financing. Finally, the bill makes a series of other technical changes, including defining the term of the repayment period, providing clarity that financing may be repaid through a lien, and ensuring that mortgage holders provide written consent before the issuance of financing. We would love your support on this important bill. Thank you.

Serving the communities of Fond du Lac, Oakfield, Byron, Empire, Taycheedah, and the western half of Calumet township

STANDING COMMITTEES:

Natural Resources & Energy, Chair
Transportation & Local Government, Vice-Chair

ROBERT L. COWLES

Wisconsin State Senator
2nd Senate District

JOINT COMMITTEES:

Audit Committee, Co-Chair

Testimony on 2021 Senate Bill 692

Senator Robert Cowles

Senate Committee on Government Operations, Legal Review and Consumer Protection

January 18th, 2022

Thank you, Chairman Stroebel and Committee Members, for holding a hearing and allowing me to testify on 2021 Senate Bill 692. This bill revises Wisconsin's Property Assessed Clean Energy statutes.

Property Assessed Clean Energy (PACE) programs create a mechanism for local governments and commercial, industrial, health care, agricultural, or multifamily properties to partner in the financing of energy efficiency and renewable energy improvements. PACE is different than other financing as loans are attached to the property, not the person, allowing the remaining cost of those improvements to transfer to a new owner if sold.

The number of loans made by PACE programs has been increasing in recent years as local governments have recognized the opportunity to invest in community development with little taxpayer risk and business owners have looked to finance improvements to their building that can help them save money. At least 26 states are actively using PACE programs for commercial properties, including some of our neighboring states, leading to more than \$1 billion in financed projects across the country.

In Wisconsin, two PACE programs exist, including PACE Wisconsin and Milwaukee PACE (for the City of Milwaukee). PACE Wisconsin, the larger of the two programs, was launched in 2016 and to date has 47 participating counties. Managed by Slipstream, local governments have little to no logistical burden. PACE Wisconsin's open market – meaning they'll work with any qualified lender or contractor – has led to \$115 million in financed projects with millions in estimated savings across at least 23 Senate Districts, including recent projects in Brookfield, Chippewa Falls, Fond Du Lac, Green Bay, Hartford, Madison, Neenah, Sister Bay, Spooner, Stevens Point, Waterloo, and many more communities.

Since the PACE statutes were first created over a decade ago, stakeholders have appreciated use of this program, but have also noted improvements that could be made based on their experience and the experience of other states. SB 692 will allow this unique mechanism to transform into a more effective and better utilized program, driving more public-private partnerships to help promote local growth and to keep employers invested locally.

Drafted in consultation with stakeholders, Senate Bill 692 makes a series of updates to our PACE statutes to help expand the program's function and provide more opportunities for local development. First, the bill expands the list of projects that may be financed to include energy reliability improvements, weather-related resiliency projects, electric vehicle charging infrastructure, and stormwater control measures. SB 692 also changes the types of assessments, which currently may be very costly, that must be provided in advance of financing. Finally, the bill makes a series of other technical changes, including defining the term of the repayment period, providing clarity that financing may be repaid through a lien, and ensuring that any mortgage holders provide written consent before the issuance of PACE financing.

Two amendments to Senate Bill 692 have been introduced. First, introduced last session as standalone legislation, we've worked with the authors of that bill, Senator Stroebel and Representative Allen, to incorporate a change that would ban Residential-PACE (R-PACE) programs in Wisconsin. While more than two dozen states have implemented Commercial-PACE (C-PACE) programs serving industrial, commercial, health care, agricultural, or multi-dwelling unit buildings with at least five units, only a couple of states have implemented R-PACE programs. States that have R-PACE programs have shown that they can lead to opportunity for abuse or fraud with door to door salesmen targeting elderly or vulnerable residents with improvements they can't afford. Wisconsin does not have any R-PACE programs active, and only the effective and proven C-PACE programs are desired by stakeholders. However, current law does not prohibit R-PACE programs in Wisconsin. Senate Amendment 1 makes that important change to ensure R-PACE programs, or programs for four or fewer dwelling unit properties, are not operated in Wisconsin. I want to thank the Chairman for working with Representative Thiesfeldt and myself to incorporate this language.

Senate Amendment 2 has also been introduced to incorporate a number of changes to Senate Bill 692 as recommended by the Wisconsin Counties Association. This amendment does not make any substantive changes to the legislation, but instead ensures clarity on intent throughout the bill. The changes include:

1. Clearing up confusion on the language for exactly when a lien for the financed amount is attached;
2. Clarifying throughout the statute that only eligible projects may be financed, and;
3. Specifying that all mortgage holders of record must sign-off on the PACE financing.

Local governments are constantly trying to find ways to partner with local businesses to promote economic development in their region, but few ways can be as effective as PACE and even fewer ways can happen without putting the taxpayers at risk. With these changes, we can help to promote more cost-saving energy efficiency and alternative energy improvements, better preparation for severe weather events, and more electric vehicle charging stations which can drive consumers to local establishments.

We're proud to have the support of a variety of groups on Senate Bill 692 and its companion, including energy efficiency and renewable energy advocates in RENEW Wisconsin and Clean Wisconsin, farmer and rural interests with the Wisconsin Land and Water Association and Michael Fields Agricultural Institute, and local government representatives with the Wisconsin Counties Association and League of Wisconsin Municipalities. I also would like to point out that the Assembly companion, AB 719, was passed 9 to 0 this morning for both amendments and the bill as amended in the Assembly Committee on Local Government.



131 W. Wilson St., Suite 505
Madison, Wisconsin 53703
phone (608) 267-2380; (800) 991-5502
fax: (608) 267-0645
league@lwm-info.org; www.lwm-info.org

To: Senate Committee on Government Operations, Legal Review, and Consumer Protection
From: Toni Herkert, Government Affairs Director, League of Wisconsin Municipalities
Date: January 18, 2022
RE: Senate Bill 692, relating to the PACE Program in Wisconsin

Chairman Stroebel, Vice Chair Felzkowski and Members of the Senate Government Operations, Legal Review, and Consumer Protection Committee,

My name is Toni Herkert and I am the League of Wisconsin Municipalities Government Affairs Director. The League represents nearly 600 municipalities, both large and small throughout the state. I appreciate the opportunity to testify before you in support of SB 692 related to the PACE Wisconsin Program. The League worked with the authors and their staff on this bill. We would like to thank Senator Cowles and Representative Thiesfeldt for introducing this commonsense legislation. It streamlines programing requirements and adds additional opportunities to participate in PACE.

Communities are continually looking for innovative ways to partner with local businesses to promote economic development. PACE has a proven track record of increasing the potential for development and brownfield redevelopment while safeguarding taxpayers and simultaneously incorporating energy efficiency, improvements, and water conservation which, in turn, decreases costs down the road.

PACE is a voluntary, innovative mechanism where property owners finance the up-front costs to improvements on a property and pay those costs back over time through an assessment on their property taxes. The unique characteristic of PACE is that the assessment is attached to the property rather than an individual owner and the assessments are secured by the property itself. PACE is administered by Slipstream, a nonprofit corporation, and authorized by an intergovernmental agreement in s. 66.0301 Wis. Stats. In order for a city or village to utilize PACE, the county must adopt a local ordinance. To date, 47 counties have adopted commercial PACE ordinances. Since its creation in 2016, PACE Wisconsin has closed 64 projects totaling more than \$115 million in investment.

Pace has served to accelerate the economic development and redevelopment in several cities and villages in Wisconsin (see attachment of closed projects). SB 692 adds additional opportunities for PACE capitol investment to provide more desirable and resilient developments. The bill adds resiliency improvements to improve the durability of infrastructure (wind durability, fire suppression, flood mitigation), renewable resource applications (solar, digester, biomass system for natural gas production), electric vehicle infrastructure improvements, storm water control measures to mitigate the negative impacts of storm water runoff and heavy rainfall events, and energy efficiency or reliability improvements which could include energy storage and microgrid development.

As economic development grows over the next decade, businesses and local governments are looking to secure investments not only financially but also from weather related events. This bill moves us in a more resilient direction by allowing additional opportunities for PACE financing. We ask the committee to advance SB 692. Thank you for your consideration. If you have any questions, please contact me at therkert@lwm-info.org.

Project Name	PACE Financing Amount	City	County
New Perspective – Waukesha Assisted Living	\$7,270,958	Waukesha	Waukesha
New Perspective – Franklin Assisted Living (Ballpark Commons)	\$8,003,461	Franklin	Milwaukee
Hidden Creek 2 Residences	\$1,000,000	Madison	Dane
Verdant Hotel Racine (Loan A & B)	\$7,684,332	Racine	Racine
Cobblestone Hotel	\$861,260	Fremont	Waupaca
De Pere Hotel	\$2,340,000	De Pere	Brown
Cobblestone Hotel	\$1,100,000	Little Chute	Outagamie
The Emerson	\$500,000	Madison	Dane
Banta Apartments	\$1,723,561	Menasha	Winnebago
The Brin	\$1,978,050	Menasha	Winnebago
John Nolan Hotel	\$170,353	Madison	Dane
The Annex 71	\$5,625,000	Oshkosh	Winnebago
SCC Mixed Use - Commercial	\$685,000	Verona	Dane
SCC Mixed Use - Residential	\$2,490,500	Verona	Dane
The Masters 2 Residences	\$1,500,000	Waunakee	Dane
Nidus- amt. increase	\$111,044	Wausau	Marathon
Badger Packaging	\$1,420,581	West Bend	Washington
Wilson Square	\$1,175,000	Eau Claire	Eau Claire
Superior Hotel	\$2,275,000	Superior	Douglas
Lakeshore Ridge Apartments	\$1,298,164	Menasha Port	Calumet
Newport Shores	\$4,000,000	Washington	Ozaukee
North Koeller St Hotel	\$4,000,000	Oshkosh	Winnebago
Nidus Holdings	\$820,000	Wausau	Marathon
Green Valley Dairy	\$3,000,000	Krakov	Shawano
Two Rivers Hotel	\$1,000,000	Two Rivers	Manitowoc
Oakmont Senior Living	\$2,250,847	Verona	Dane
Rail Yard Office Building R	\$1,011,520	Green Bay	Brown
Appleton Industrial	\$1,998,390	Appleton	Calumet
KPW Hospitality	\$2,040,807	Stoughton	Dane
Hotel Indigo Phase 2	\$1,669,031	Madison	Dane
Cobblestone Hotel	\$1,225,000	Janesville	Rock
East Side Ventures	\$150,000	Madison	Dane
Holiday Inn Appleton - Wisco Hotel Group	\$550,000	Appleton	Outagamie
Oak Park Assisted Living	\$3,343,182	Janesville	Rock



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Oscar Mayer Station	\$7,076,579	Madison	Dane
Wild Rice Retreat - Lodging	\$867,000	Bayfield	Bayfield
Sheboygan Wisco Hotel	\$430,000	Sheboygan	Sheboygan
University Lofts	\$900,000	Oshkosh	Winnebago
Riverwoods Eagle's Nest	\$1,600,000	Wisconsin Dells	Columbia
Avant Apartments	\$590,000	Appleton	Outagamie
My Place - Mt Pleasant	\$875,000	Sturtevant	Racine
West Milwaukee Hotel	\$1,141,886	West Milwaukee	Milwaukee
Spooner Ice Rink	\$206,071	Spooner	Washburn
Larsen Green Condominiums	\$800,000	Green Bay	Brown
Goose & Twigs	\$147,561	Sister Bay	Door
533 E Walnut GB Census 2020	\$249,000	Green Bay	Brown
435 E Walnut- GB Press Gazette	\$249,000	Green Bay	Brown
Hotels International Chippewa	\$661,000	Chippewa Falls	Chippewa
Hotels America	\$900,000	Stevens Point	Portage
Hartford Hotel	\$910,000	Hartford	Washington
Drexel Hotel - Towne Place Suites	\$2,500,000	Oak Creek	Milwaukee
The Hotel Northland	\$8,759,000	Green Bay	Brown
Prestige Worldwide	\$249,500	Sun Prairie	Dane
The Edge Apartments	\$1,420,000	Madison	Dane
Fox Crossing Hotel	\$850,000	Neenah	Winnebago
Weiskoph School Apartments	\$249,998	Kenosha	Kenosha
Hilton Garden Inn Brookfield Square Mall	\$1,600,000	Brookfield	Waukesha
Home2Suites	\$1,500,000	Madison	Dane
818 Post Road	\$203,839	Madison	Dane
Velocity	\$232,996	Verona	Dane
The Waterloo Technology Center	\$249,000	Waterloo	Jefferson
Uniroyal	\$355,000	Stoughton	Dane
The Hotel Retlaw	\$2,373,798	Fond Du Lac	Fond Du Lac
The Hotel Indigo	\$1,500,000	Madison	Dane



Date: January 18, 2022
To: Senate Committee on Government Operations, Legal Review and Consumer Protection
From: Clean Wisconsin
Re: Testimony on Senate Bill 692 – Changes to the PACE Program

Chairman Stroebel, Vice-Chair Felzkowski, Ranking Member Roys, and committee members,

Thank you for the opportunity to testify on Senate Bill 692. My name is Erik Kanter, and I am the Government Relations Director at Clean Wisconsin.

Clean Wisconsin is a non-profit environmental advocacy organization working on clean water, clean air and clean energy issues. We were founded over fifty years ago and have over 30,000 members and supporters around the state. We employ scientists, policy experts and attorneys to protect and improve Wisconsin's air and water resources.

We support Senate Bill 692 and thank the bill's authors for proposing these important updates to the Property Assessed Clean Energy (PACE) program.

As currently administered, the PACE program assists property owners in obtaining affordable, long-term loans to finance program-eligible clean-energy, energy-efficiency and water conservation projects. According to the PACE Wisconsin website, the program has helped to provide over \$110 million to 64 separate projects across the state, including updates to hotels, multi-unit residential buildings, office buildings, agricultural operations and industrial buildings. These projects aid in energy conservation, carbon reduction and responsible water use. In the City of Milwaukee, buildings that have used PACE financing to improve their energy efficiency include newer developments like the Westin Milwaukee Hotel, as well as the historic Mackie Building constructed in 1879. PACE financing was also utilized to convert former Pabst Brewery space into loft apartments, revitalizing an area of downtown suffering from disinvestment. The program has helped manufacturers and small businesses reduce energy usage, saving them money on their monthly energy bills.

We are excited to see that Senate Bill 692 expands the list of program-eligible projects to include electric-vehicle infrastructure, stormwater-control measures and energy-reliability improvements. Clean Wisconsin believes these new eligible projects offer significant opportunity--especially for green infrastructure in Milwaukee and other urban areas around the state.

Clean Wisconsin has worked to educate residents, developers, municipal leaders and businesses about the multiple benefits of green stormwater-infrastructure-control measures, including easing the burden on municipal stormwater pipes and reducing both water pollution and flood risk. Additional benefits include improved air-quality and new job opportunities designing, installing and maintaining green stormwater infrastructure practices. Examples of green stormwater infrastructure include permeable pavements, bioswales, constructed wetlands and green roofs. Through numerous focus groups held with developers over the past few years, my colleagues and I have learned that including such features allows property owners to attract tenants who want to live and work in environmentally sustainable structures. We are encouraged that these developers could have another means to finance these beneficial additions to their development and re-development projects with passage of Senate Bill 692.

Finally, these proposed changes to the PACE program will help advance multiple recommendations to be included in the Milwaukee Climate and Equity Action Plan, such as expanding the electric-vehicle charging network and reducing energy use at commercial and multi-family residential buildings. Moreover, the proposed changes to the PACE program will allow more building owners and businesses to invest in energy-savings projects and reduce their monthly energy bills at a time when so many are reeling from the Covid-19 pandemic.

Again, I appreciate the opportunity to testify in favor of Senate Bill 692. Clean Wisconsin is excited by the new opportunities the bill presents in financing necessary green projects and modernizing our communities. We urge the committee to pass Senate Bill 692.

Good morning, Honorable Members of the Senate. Thank you for your time this morning to talk about the proposed amendment to the legislation that enables Commercial Property Assessed Clean Energy (C-PACE) financing in Wisconsin. My name is Tim Mathison and I am General Counsel for Slipstream. Slipstream is a 501(c)(3) nonprofit headquartered in Madison, with a mission to accelerate the transition to clean energy. We have administered the statewide commercial PACE Wisconsin program since its inception in 2016 and the City of Milwaukee transferred administration of their C-PACE program to Slipstream in 2021.

In partnership with the Wisconsin Counties Association, the League of Wisconsin Municipalities, Green Tier Legacy Communities, and von Briesen and Roper, Slipstream supported local governments in developing the Wisconsin PACE Commission in 2016. This is a Joint Powers Commission created pursuant to section 66.0301 of the Wisconsin Statutes that allows for PACE projects across the state to be approved by a central body with representation from each member county. Member counties agree to adopt a Model C-PACE Ordinance and delegate to the Commission the ability to impose PACE special charges according to a single, uniform PACE program operated across the Commission members' jurisdictions. To date, 47 counties have enacted C-PACE ordinances and entered into the Joint Powers agreement.

C-PACE has been an economic development success for the cities and counties that have enacted PACE ordinances. PACE Wisconsin has closed 64 projects totaling more than \$115M in investment. The City of Milwaukee has closed 16 projects totaling more than \$30M in investment since its inception in 2013. This investment has not only created jobs and raised property values but has also made Wisconsin businesses, large and small, more competitive by reducing their energy, water, and operational expenses by nearly \$7M per year.

Commercial Property Assessed Clean Energy (or, C-PACE) is a property tax assessment financing mechanism for brownfield redevelopment, energy and water efficiency and renewable energy improvements. C-PACE can benefit a wide array of commercial property types, including industrial, hospitality, and multifamily (5+ units only), and agricultural properties. In fact, the only property types that may not access C-PACE are 1-4 unit residences and government-owned buildings.

This public-private partnership leverages the public benefit offered by the property tax assessment mechanism to allow private capital to fund private improvements at a long-term fixed rate. PACE Wisconsin and City of Milwaukee PACE utilize an open market model that allows for competition among capital providers and better rates for borrowers. C-PACE also offers an economic development solution that requires no cost for governmental participation.

As an administrator, Slipstream has developed a program that requires no cost and minimal investment of staff time from the local government. Slipstream's nationally recognized model allows the third party administrator to review and recommend approval of eligible projects to the Wisconsin PACE Commission according to guidelines that have been written in compliance with the statute and approved by the relevant governmental body. The administrator is then paid by the borrower and the loan agreement is recorded as a special charge against the property.

The clean energy benefits produced by C-PACE financings also benefit the communities in which they are financed. Clean energy benefits are achieved when an existing building

replaces old equipment and building systems with highly efficient alternatives. In new construction projects, a PACE program creates impact when property developers make design and specification decisions that result in energy performance that exceeds the level required by the applicable building code.

PACE has created tremendous value for Wisconsin over the past eight years, but I believe that SB 692 will allow the program to achieve greater scale and serve more Wisconsin businesses.

The bill would enable commercial property owners to utilize C-PACE to make their building more resilient to damage from severe storms and flooding. The bill would add Resiliency Improvements and Stormwater Control Measures to the current list of types of improvements that can be financed with PACE. Protecting the commercial buildings that serve our communities creates a public benefit that is aligned with the purpose of the special charge mechanism.

The bill would also enable commercial property owners to use C-PACE to install electric vehicle charging infrastructure on their properties. By doing so, these property owners will be able to upgrade their properties to respond to the transportation-related needs and demands of their customers and employees. The resulting privately-funded infrastructure would also create a public benefit.

As written, the PACE statute in Wisconsin requires that projects that access \$250K, or more, of PACE financing must show that the energy and water savings expected from the project will exceed the cost of the initial investment. This requirement is described in the statute as a requirement for a savings to investment ratio greater than 1.0. The statute further requires these property owners to obtain a third-party guarantee for those savings.

I believe that these provisions of the current statute sought to provide safeguards for business owners who choose to use PACE. However, we have found that mandating an SIR greater than 1.0 fails to account for the varied reasons that a property owner may choose to improve a property. For example, installing a more expensive high-efficiency heating system will reduce energy costs, but may also make the building more comfortable for customers and employees. We have found that commercial property owners make well-informed decisions regarding investments in their buildings and carefully consider the costs and benefits of each investment option.

The legislation would remove the requirement for energy and water savings to exceed project costs, and would instead require that the owner obtain a third-party assessment of the anticipated energy and water cost savings from the proposed project, as well as confirmation of proper installation after work is completed. In this way, the bill removes artificial structural barriers that property owners face when considering PACE and still ensures that property owners have the data they need to make an informed decision.

C-PACE is a tool for Wisconsin cities and counties that creates jobs, increases property values and improves sustainability in communities across the state. Since 2017, PACE Wisconsin has given commercial property owners throughout Wisconsin a low-cost way to improve the energy efficiency and value of their facilities. Even during uncertain times, projects funded with C-



PACE financing have continued to improve business profitability, boost property values, and drive community-wide clean energy benefits. Thank you for your time and consideration of SB 692. I will be happy to respond to any questions from members of the Committee.





Testimony of the Wisconsin Bankers Association

**Senate Committee on Government Operations, Legal Review, and Consumer Protection
Senate Bill 692**

January 18, 2022

Chair Stroebel and Members of the Senate Committee on Government Operations, Legal Review and Consumer Protection:

Please accept the Wisconsin Bankers Association's testimony for information only today on Senate Bill 692.

Founded in 1892, WBA is the state's largest financial industry trade association, representing over 200 banks and savings institutions, their branches, and over 21,000 employees. The Association represents banks of all sizes in Wisconsin, and over 98% of banks in the state are WBA members.

Property Assessed Clean Energy (PACE) programs are a creative tool that bring borrowers and lenders together for the purposes of making energy efficiency and renewable energy upgrades to certain properties. Many states throughout the country, including Wisconsin, have PACE programs that have paved the way for hundreds of millions of dollars in projects that would have previously been unachievable due to high upfront costs.

Bankers are solution-driven and work diligently every day with their customers to help them achieve their personal and financial goals. To that end, we have several members involved in PACE lending and financing these types of projects. Without opining on the types of projects financed by PACE loans, SB 692 presents a mixed bag for WBA members. Therefore, we are looking forward to continuing to engage with the bill authors and stakeholders regarding the future evolution of this legislation.

PACE loans are a bit unique in that the loan is attached to the property and not the person or entity that owns the property. Any installment payment of a PACE program loan that becomes delinquent results in a lien on the property that is treated as a special assessment against the property. Special assessments have a priority superior to a financial institution's interest in the property. As you can imagine, this gives bankers heartburn and is why the proliferation and expansion of PACE programs has been problematic for many within the industry. This concern is primarily focused on residential PACE based on anecdotes from other states. Accordingly, WBA welcomes Senate Amendment 1 which would effectively reinforce that residential PACE is not permitted in Wisconsin.

Our organization is also happy with the inclusion of Section 16 of the bill which would require the consent of all mortgage holders as a condition of getting a PACE loan. An ounce of

(over)

prevention is worth a pound of cure and we are optimistic this could alleviate many of the lien priority concerns we have with PACE loans.

Thank you for your consideration of WBA's testimony on SB 692.