
The Latest Weapon Against Climate Change: Property Tax Bills.

Private finance is pumping millions of dollars into green retrofits in some of the U.S.'s most vulnerable areas.

Miami, if you haven't heard, is in trouble. Like, fish swimming in the streets kind of trouble. Like, sinking into the ocean kind of trouble.

And while Florida's leaders are having their own kind of trouble processing the reality of bigger hurricanes and badder floods, businesses and property owners are taking action. In October, for instance, big-box retailer BrandsMart USA completed a $3.1 million upgrade to their Miami Gardens store, toughening it up for future hurricanes and making it more energy efficient.

But the most innovative part of the project may be how it was paid for—through the Property Assessed Clean Energy, or PACE, program. PACE is a framework that provides low-risk financing for efficiency and resiliency upgrades to buildings by putting payments on property tax bills, stretched out over up to 20 years. According to a tally by the nonprofit PACENation, 31 states and the District of Columbia currently have PACE-enabling legislation, most implemented since California pioneered the program in 2008. PACENation has tracked just under $1.4 billion in completed PACE projects during that time.

BrandsMart's project was financed by Ygrene, one of the larger PACE servicers. Ygrene (pronounced "why green"—and the name is energy spelled backwards) sets up and administers PACE programs for municipalities, with revenue coming from borrower fees. The company has funded or approved more than $750 million in projects since its founding in 2010, making it among the largest players in a growing ecosystem that also includes California's CleanFund and Connecticut's Greenworks Lending.

According to Ygrene CEO Stacey Lawson, PACE is part of a broader trend of climate and infrastructure programs teaming public and private efforts. As Ygrene's numbers make clear, energy efficiency projects are long-term financial winners (to say nothing of the benefits of surviving a hurricane or saving the planet), but paying for them up front is a high bar for property owners.

Now, because of the repayment certainty of having the debt attached to property taxation, PACE loans can be bundled into in-demand securities. Lawson says "they're triple A assets," attributing past AA ratings to the newness of the market. In fact, there's been concern that PACE assets are a little too good, since they get tax-like priority over mortgage repayments. That has in some cases thrown a wrench into home sales and refinancing.

"Governments are thinking about what kind of change to [they] want to effect?" says Lawson. "But business is all about, how do we have that happen, and have that happen sustainably and profitably?" She thinks aggressive marketing of PACE to building owners, in particular, is more a private-sector strength.

Lawson knows quite a bit about getting government and business to work together. In addition to her a tech career, the Californian made a run for Congress in 2012. “You’re getting Wall Street to move green—you couldn’t do that without the government component,” she says. “But also, government couldn’t effect that without private industry players.”

Of course, there are limits to what even the largest building-level projects can do to fight the effects of climate change. It’s widely believed that saving Miami is going to take massive intervention—think Dutch-style seawalls and massive pumps. Projects on that scale will go far beyond the private improvements property owners are making, and mean the government will have to get its hands dirty, too.

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