



Office of Governor
Edmund G. Brown Jr.

Governor Brown, Treasurer Lockyer Kick-Start California PACE Program

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Reserve Fund to Ease Federal Concerns, Help Program Flourish

SACRAMENTO – Governor Edmund G. Brown Jr. and State Treasurer Bill Lockyer today announced key actions approved late yesterday to help revive and expand the popular Property Assessed Clean Energy (PACE) program, which makes residential energy and water efficiency projects more affordable and accessible for California homeowners by enabling them to pay off these investments over time on their property tax bills.

“PACE enables homeowners to buy solar panels, install low-flow toilets and make other smart investments that save energy and water without breaking the bank,” said Governor Brown. “As California confronts a severe drought and a rapidly changing climate, this program gives homeowners another opportunity to do their part.”

Yesterday’s action creates a \$10 million mortgage loss reserve program, administered by the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA), which Treasurer Lockyer chairs.

“PACE financing gives homeowners a practical and affordable way to save energy, reduce global warming and improve our air quality while adding to the value of their property,” said Lockyer. “The loss reserve program should allow PACE financing to flourish.”

The loss reserve program, approved late yesterday by the Office of Administrative Law (OAL), is intended to ease concerns expressed by the Federal Housing Finance Agency (FHFA) by providing funds to reimburse the first mortgage lender for the PACE payments it paid while in possession of the property during a foreclosure. In addition, the reserve can cover overdue PACE payments in the event the county sells the property for unpaid taxes.

PACE allows local government agencies to sell bonds to finance energy and water efficiency, and renewable energy generation projects on residential property. Participating homeowners have liens placed on their homes, and pay off the liens with monthly payments on their property tax bills. Projects such as the purchase and installation of low-flow toilets, home insulation, solar panels or Energy Star Qualified light fixtures may be eligible for financing.

California JPA PACE Programs

- ▶ **WRCOG** (Western Riverside Council of Governments) offers HERO (administered by Renovate America)
- ▶ **GSFA** (Golden State Finance Authority) offers YgreneWorks (administered by Ygrene Energy Fund)
- ▶ **CSCDA** (California Statewide Community Development Authority) offers CaliforniaFIRST (administered by Renew Financial), PACE Funding, Spruce, Alliance NRG, Counterpointe, and Clean Fund.
- ▶ **CEDA** (California Enterprise Development Authority) offers Dividend Finance (FigTree)
- ▶ **CMFA** (California Municipal Finance Authority) offers Energy Efficient Equity (E3), Blue PACE, Structured Finance, OnPACE Energy Solutions, and Petros PACE.

Property Assessed Clean Energy (PACE) in California

175,000 Residential & 727 Commercial projects

\$4.3B Residential & \$208M Commercial funded

39,896 jobs created

\$7B in annual economic impact

\$5B in utility bill savings

5M tons of CO₂ abated

13B gallons of water saved

350 MW energy produced

31B kWh energy saved



PROPERTY ASSESSED CLEAN ENERGY (PACE)
VS
HOME EQUITY LINE OF CREDIT (HELOC)

Financing Features	PACE	HELOC
Interest Rates	4-8%	6-8%
Fixed or Variable Rate?	Fixed	Variable
Financing Term	5-30 years	5-10 years
Approval Time	Same Day	4-6 weeks
How Interest Rate is Determined	Interest Rate Based on Financing Term	Interest Rate Based on FICO Score
Approval Rate	73%	60%
Balance Paid Off During Refinance or Sale	YES <u>or</u> Balance Can Transfer to New Owner Upon Sale	Always Paid Off During Refinance or Sale
Repayment Method	Monthly Mortgage Payment	Monthly (w/Mortgage) OR semi-annually
Know Before You Owe Disclosures	YES	YES
3-Day Right to Cancel	YES	YES
Contractors must be licensed, bonded & insured	YES	NO
Protection Against Price Gouging	YES	NO
Permit Required	YES	NO
Confirm Terms Call	YES	NO
Payment Protection- Contractor Paid After Property Owners Signs Off on Project	YES	NO
Limit on How Funds Can be Used	YES	NO
Dispute Resolution	YES	NO
Special Protections for Seniors & ESL	YES	NO
Protection from Bad Contractors	YES	NO

FACT SHEET ON CALIFORNIA SB 242 & AB 1284

A Comprehensive Consumer Protection, Underwriting, and Regulatory Framework for Property Assessed Clean Energy

Importance of PACE

The realities of both climate and economic change have come into focus more sharply this year than at any time in the past. Responsible public policy solutions must be offered, and those with a record of success, such as Property Assessed Clean Energy (PACE) programs, must be strengthened. With buildings accounting for nearly 40 percent of our greenhouse-gas emissions, we must give property owners strong, scalable tools to spur the adoption of smarter, more efficient building technologies. And with states looking for new tools to address energy and water consumption, create local jobs, and expand the credit box for responsible borrowers, PACE is at a crucial point in its development.

Born in California nine years ago, PACE financing is a state and local government initiative that has been cited by the Lawrence Berkeley National Labs as one of the nation's most successful forms of financing home energy and efficiency improvements. PACE has empowered the owners of more than 150,000 homes to make energy, efficiency and resiliency improvements to their property. It's estimated that by spurring demand for contractor services, these improvements have created more than 30,000 local jobs. Over their expected lifetime, PACE-financed improvements to date are projected to save over 1.5 billion kilowatt-hours of electricity, equivalent to powering more than 140,000 homes for a year; save over 10 billion gallons of water, equivalent to the amount needed to fill over 15,000 Olympic-sized swimming pools; and reduce carbon dioxide emissions by over 4 million tons, equivalent to taking more than 760,000 cars off the road for a year.

PACE has bipartisan support because it works, advancing important public policy objectives on a voluntary basis for property owners without the use of government funds. PACE allows homeowners to finance energy- and water-efficient, and renewable energy home improvement projects over the useful life of the product (5, 10, 15, 20, or 25 years) at a fixed interest rate, repaying against a lien on the home as a local property tax line item. With PACE, contractors are paid only after the work is complete and the homeowner has signed off, allowing for PACE providers to have oversight and ability to help resolve workmanship or other contracting issues. This innovative financing solution allows retrofits that make homes more comfortable, efficient, and potentially more valuable.

An Enforceable Consumer Protection Framework for PACE

PACE is offered in most cases initially through home improvement contractors that provide HVAC, solar, roof, door, window, and other services. Marketing practices, disclosures and other customer support mechanisms have evolved in the market over time as the private sector companies providing PACE and their local government partners have identified gaps and worked to establish consumer protections. Not all private sector PACE programs have been required to have the same protections. But in September 2016, that began to change, as Governor Brown signed into law AB 2693, authored by Assemblyman Dababneh, which codified state standards for written disclosures a property owner choosing PACE must receive prior to signing a contract for PACE financing. AB 2693 mandated a three-day right to cancel as well as written disclosures for PACE customers modeled on the federal Know-Before-You-Owe form used in mortgage lending.

This year the California legislature took on two bills – SB 242 sponsored by Senator Skinner and AB 1284 sponsored by Assemblyman Dababneh -- that build on AB 2693 to establish a clear, enforceable statewide consumer protection framework that will help ensure positive outcomes for homeowners, and the continued viability and sustainability of PACE.

Key Changes to PACE in SB 242 and AB 1284

SB 242 (Skinner), adopted unanimously by the Assembly, but still pending before the Senate, would establish state-of-the-art consumer protections, further setting PACE apart from other forms of financing. The legislation:

- Requires a **recorded, live, confirmation of terms call** between the PACE provider and property owner before they sign their assessment contract, as a reinforcement to the written disclosures;
- Requires that PACE providers who undertake the confirmation of terms call with a property owner in one of the five major non-English languages in California – Spanish, Chinese, Korean, Tagalog and Vietnamese – also provide the property owner with their contractual documents in that language.
- Establishes an **expanded “right to cancel”** for a property owner using PACE, enabling the property owner to cancel their separate home improvement contract if they cancel their PACE financing within their three-day right to cancel – protecting them from being obligated to pay for a project without a viable means of financing.
- Establishes a **ban on compensating contractors beyond the cost of the home improvement project**, as well as prohibiting paying for contractor co-marketing and limiting contractor reimbursements to \$100 for bona fide training expenses.
- Requires contractors to quote a property owner the **same price as cash** for a home improvement project using PACE financing.
- Prevents PACE providers from disclosing to contractors the amount of funds the property owner is eligible for under a PACE assessment.
- Establishes data **reporting requirements to local government partners**, including data that speaks to the projected energy and water savings and local economic and job impacts, as well as on categories of products installed and homeowners served.

AB 1284 (Dababneh), pending in both chambers, would significantly enhance PACE underwriting, regulate PACE at the state level, and enforce compliance with all PACE laws by PACE administrators and individual contractors. The legislation:

- **Strengthens and standardizes the current underwriting** standards in PACE based on home equity and on-time mortgage and tax payment history; and requires that the most accurate **Automated Valuation Models** are used for establishing the value of the home.
- Establishes new underwriting standards predicated on **income verification and ability-to-pay** to determine that property owners can meet their annual PACE obligation in addition to their current debt obligations and basic household expenses.

- Establishes a **licensing and regulatory framework for the PACE industry in California**, which will be subject to oversight by the California Department of Business Oversight (DBO).
- Requires PACE providers to **undergo background investigations and satisfy net worth requirements in order to obtain a license**.
- Requires PACE providers to enroll and **train home improvement contractors and their individual sales reps**; and holds PACE providers **accountable for screening and monitoring** the contractors and individual sales reps enrolled in their programs.
- Empowers the DBO **with enforcement authority** to take action against PACE providers who do not meet their obligations to promote the interests of consumers, which includes prohibiting PACE providers from working with contractors or individual sales reps who engage in activity harmful to consumers.



City of Fort Bragg Inception to January 31, 2018

Project Data

Project Type	Residential	
Jurisdiction	Funded Count	Funded Amount
Fort Bragg	4	\$99,428

Impact Metrics

Description	Impact Stats
Jobs Created	1
Combined Fed, State, & Local Tax Revenue	\$24,857
Economic Stimulus	\$248,570
Utility Bill Savings	\$198,856
Environmental Benefit (Mtons CO2 Abated)	119
Energy Produced (MW Generated)	0.006
Renewable Energy (kWh Saved)	674,694
Water Conserved (Gallons Water Saved)	429,529

Ygrene proprietary "PACE impact" model based on data sourced from UC Berkeley Lawrence Hall of Science and ECONorthwest Economic Impact Analysis of PACE Programs. All information current as of 1/31/18 and figures are estimates based on statewide Ygrene Projects completed.

Ygrene Energy Fund Update

Consumer Protection Policy

Ygrene adopted an enhanced version of the PACE Nation Consumer Protection Policy, the most stringent in consumer financing. But we recognize that our responsibility doesn't stop with our own program. We have actively worked with the state legislature and passed legislation to mandate these same protections industry-wide.

4,000 Qualified and Certified Ygrene Contractors

Ygrene trains and monitors contractors who implement the program. We use the tools developed in our consumer protection policy to ensure that our customers receive accurate and vital information to allow them to make an informed decision on their projects.

Direct Verification

Ygrene completes direct verification with all customers prior to approving financing.

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Mendocino County Performance Inception to January 31, 2018

Project Data

Jurisdiction	Residential Projects	Residential Project Amount
Fort Bragg	4	\$99,428
Mendocino County Unincorporated	8	\$187,111
Willits	5	\$85,951
Ukiah	0	\$0
Totals	17	\$372,490

Impact Metrics

Description	Impact Stats
Jobs Created	6
Combined Fed, State, & Local Tax Revenue	\$93,123
Economic Stimulus	\$931,225
Utility Bill Savings	\$744,980
Environmental Benefit (Mtons CO2 Abated)	447
Energy Produced (MW Generated)	0.023
Renewable Energy (kWh Saved)	2,527,626
Water Conserved (Gallons Water Saved)	1,609,157

Ygrene proprietary "PACE impact" model based on data sourced from UC Berkeley Lawrence Hall of Science and ECONorthwest Economic Impact Analysis of PACE Programs. All information current as of 1/31/18 and figures are estimates based on statewide Ygrene Projects completed.

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