County of El Dorado

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January 24, 2018

TO: Members, Honorable Board of Supervisors

FROM: Don Ashton, Chief Administrative Officer

SUBJECT: Property Assessed Clean Energy (PACE) Programs in El Dorado County

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Introduction

On July 18, 2017, staff was directed to prepare a report relative to the Property Assessed Clean Energy (PACE) financing programs that were approved by the Board in 2015, including research relative to the number of program participants, benefits and any unanticipated risks/consequences of the programs.

This report is intended to provide an overview of the program operation and/or impact in El Dorado County.

Background

On September 15, 2015, the Board approved Resolutions 156-2015, 157-2015, and 158-2015, to make PACE financing programs available to property owners in the unincorporated area of the county.

On September 22, 2015, the Board approved Resolution 162-2015, consenting to the inclusion of properties within the County's jurisdiction in the California HERO PACE Program through County membership in the Western Riverside Council of Governments JPA to finance distributed generation renewable energy sources, energy and water efficiency improvements and electric vehicle charging infrastructure.

Discussion

The County participates in the Golden State Finance Authority (GSFA) Joint Powers Authority/Ygrene County Clean Energy CFD (Mello-Roos) program, the California Statewide Communities Development Authority Open PACE and CaliforniaFirst programs, and the Western Riverside Council of Governments (AB811 Assessment Districts) HERO program.

The PACE programs that the Board has approved for El Dorado County are not County run programs, but rather are operated by outside entities. Participating Cities and Counties join the Joint Powers Authority or Council of Government in order to allow property owners in the jurisdiction to participate in the programs. Applications are processed through non-government program administrators. Fees, terms, and minimum and maximum funding amounts vary, but range from \$2,500 to \$5,000 for a minimum amount, up to 10 to 20% of the property value for maximum financing amounts.

PACE liens run with the property, not with the property owner. Remaining repayments may also be passed on to a new property owner when the property is sold before the PACE financing is paid in full and when the new lender agrees. However, some mortgage lenders may require such financing to be paid in full upon sale of a home.

No County revenues or general funds are involved in the repayment of the bonds, debts, liabilities and obligations. The County is not involved in the administration of the program, other than adding the charges for the loans to the property tax roll. Calls are handled by the Auditor's office, which reports receiving several calls per week that vary in time from a few minutes to 30 minutes each.

When approved, staff indicated that the financial impact of the County participating in PACE/HERO programs, related primarily to County administrative costs to process collections, would be offset by the collection of administrative fees from participating property owners. However, no evidence of an approved fee has been identified thus far.

<u>Program Descriptions</u>

Ygrene, working with the Golden State Finance Authority (GSFA) Joint Powers Authority, has formed and validated a statewide Mello-Roos Community Facility District. The County, through a Resolution, joined the GSFA. Under Mello-Roos, each city, county or JPA remains responsible for the cost and administrative burden of forming a Mello-Roos district, establishing program rules, judicially validating the bond program and contracting directly with one or more PACE administrators. Ygrene Energy Fund California LLC has made agreements to reimburse jurisdictions for these costs to limit the financial burden faced by a local agency of forming a special tax district. A property is annexed in the CFD through approval by the individual property owners who agree to pay the special taxes. Property owners apply with Ygrene, which charges fees for the application, processing and underwriting, recording and disbursement. The County then assesses the additional charges through the property owner's tax bill.

The County is also a member of the California Statewide Communities Development Authority (CSCDA), sponsored by the League of Cities and the California State Association of Counties. Under AB 811 (as amended) Improvement Act programs operate under a joint powers authority (JPA) structure allowing cities and counties to join as a member, alleviating the burden and cost that would normally be associated with creating an Improvement Act program. The Board adopted the resolution approving joining the JPA as an associate member and including parcels in the County in the program. The mechanism for financing these improvements is similar to funding through Ygrene, as property owners apply, pay fees, and consent to annexation of their property into the program through California First in order to receive funding.

The California HERO program, which was instituted in Riverside County and is now available throughout California, is financed through the Western Riverside Council of Governments (WRCOG). It operates as an Improvement Act Program similar to the CaliforniaFIRST program. The mechanism for property owners to participate in the programs is similar. El Dorado County has also joined this JPA and has approved parcels in the County for voluntary participation in the program.

The attached fliers and program reports from El Dorado County PACE providers are provided to help describe the individual program mechanisms and the potential benefits/outcomes. (Attachments A)

<u>Advertised Benefits of Programs</u>

Increases Accessibility of Home Improvements. Benefits that have been promoted with the PACE programs include positive cash flow to the property owner from savings in utility bills (which may exceed PACE payments), and that the tax assessment correlates with the useful life of the improvement and does not require an initial down payment like other types of financing. It has been argued that the PACE financing mechanism allow homeowners to make valued home improvements and energy efficiency upgrades which they might otherwise not be able to pursue, in that improvements can be paid for over time rather than up-front. Additionally, many program advertise no out-of-pocket or up-front costs.

Relatively Low Interest Rates. Interest rates vary by program and run from approximately 6% to 9%. These rates are comparatively lower than a credit card rate. (However, rates may be higher for some homeowners than a home equity line of credit type of financing.)

Support Energy Efficiency Policies. PACE programs support efforts to reduce greenhouse gas emissions, by making the energy efficiency and renewable energy projects more accessible for homeowners and businesses. Program administrators also indicate that PACE projects have positive impacts on air quality.

Economic Development Initiative. Programs advertise that PACE programs lower the cost of doing business in communities where PACE programs operate, and encourage use of local labor and investment in communities.

<u>Reported Concerns with Programs</u>

Homeowers Act at Own Risk. Approval of the programs by local jurisdictions, as in El Dorado County, has allowed property owners to freely and willingly enter into contractual agreements with contractors and PACE financing providers for clean energy improvements. As with any contractual agreement, the borrower/property owner enters at their own risk.

Lending Practices. Some criticism of the programs has focused on the lending practices, including that the agreements do not require a credit check, and the private companies and third-party administrators are not held to the same lending standards as conventional loans, including the Truth in Lending Act (TILA) or Real Estate Settlement Procedures Act (RESPA). While PACE financing provides an option for residents with a low credit score, it has also resulted in a number of complaints of upselling, promises that the improvements will "pay for themselves" and a general lack of understanding of the risks of the agreements.

Insufficient Consumer Protections. Consumer groups have complained, nationally, that PACE loans lack sufficient consumer protections, and that borrowers are misled into entering loan contracts which prove to be unaffordable for the homeowner. More recently, the FHA has announced that it will no longer fund loans from properties that also have a PACE lien, due to the lack of sufficient consumer protections, and concerns that the inability for homeowners to pay off the loans could place taxpayers at risk.

"Superior Liens" on Properties. The Federal Housing Finance Agency (FHFA) had previously expressed concerns for unintended consequences of the PACE program, and announced it would not fund loans for that properties with a PACE financing. According to FHFA, the central risk is that PACE loans create an additional potential for the loss of a property through a tax sale or foreclosure if the owner cannot meet the extra debt burden. The risk to a property owner is that they may be required to pay off the PACE assessment balance at the time of refinance or sale. Additionally, these programs add a lien on the property, which may be in violation of the terms of the existing mortgages for some homeowners (even if payments are made).

Potential for Significant Capitalized Interest. The concern of capitalized interest has been raised. This situation can occur due to the timing of loan effective date relative to the scheduled first payment. If the time between the two is too great, interest can accrue.

The attached news releases and articles help to articulate these concerns and outline recent actions. (Attachments B)

<u>Recent Legislative Actions</u>

In California, AB 1284 and SB 242, were approved in October of 2017 to ensure stronger consumer protections, effective January 1, 2018.

SB 242 (Skinner) improves the PACE program for both consumers and program administrators through disclosure requirements, enhanced consumer protections and requirements on 3rd party program administrators.

Specifically:

- Program administrator must verbally confirm and record that the owner has copies of forms and documents, and is aware of the key terms of an assessment contract.

- Program administrators must also submit reports to the public agency, twice per year, that include the number of PACE assessments, the aggregate dollar amount and the average dollar amount of PACE assessments, and the categories of installed efficiency improvements (whether energy or water efficiency, renewable energy, or seismic improvements), and the percentage of PACE assessments, the definition of default used by the program administrator, and additional information for each delinquent assessment.

- The first payment on an assessment contract cannot be waived or deferred, and the property owner's first assessment payment be due no later than the fiscal year following the fiscal year in which work is completed.

- Contractors or other 3rd party are prohibited from advertising or soliciting property owners on behalf of the program administrator, unless the contractor or third party maintains in good standing a license from the Contractors' State Licensing Board and any other required permits, licenses, or registrations, and the program administrator obtains written agreement that the contractor or third party will act in accordance with applicable advertising and marketing laws and regulations.

- Program administrators are prohibited from providing payments or anything of a material value, other than training expenses, to a contractor or 3rd party in excess of the price charged to the property owner for improvements

- Program administrators cannot provide payments or anything of a material value to a property owner that is explicitly conditioned upon the property owner entering into the assessment contract.

- Program administrators, contractors, or other 3rd parties cannot make any representation as to the tax deductibility of an assessment contract, unless consistent with law.

- Contractors cannot charge a higher price for projects financed through a PACE assessment than they would for the same project paid with cash.

- Contractors cannot commence work if the property owner entered into the home improvement contract based on the reasonable belief that the work would be covered by the PACE program, and the property owner rescinds the PACE financing within the 3-day cancellation time period.

AB 1284 (Dababneh) provides increased oversight of the PACE program by creating a new licensing requirement for Program Administrators through the Department of Business Oversight, including training requirements for employees, and a requirement that Program Administrators assess a homeowner's ability to pay back an assessment, among other measures. AB 1284, together with SB 242, builds on the PACE consumer protections in last year's AB 2693 (Dababneh), enhancing PACE underwriting, regulating PACE 3rd party program administrators at the state level, and enforcing compliance with all PACE laws by PACE administrators and individual contractors.

Specifically:

- Assessment contracts may only be entered into if the property taxes on the applicable property are current, with no specified debt recorded, with no bankruptcy proceeding within a specified time, that the financing of the assessment, as well as the total value of all debt on the property, does not exceed a specified amount, and that the terms of the assessment contract not exceed certain limitations.

- Beginning April 1, 2018, a program administrator must make a reasonable good faith determination that the property owner has a reasonable ability to pay the PACE assessments. The program administrator must also comply with the requirements of the California Financial Information Privacy Act.

- The Commissioner of Business Oversight is authorized to take disciplinary actions against a program administrator that are similar to the disciplinary provisions described above for a finance lender or broker, including authorizing the Commissioner to conduct an examination under oath, and would subject a program administrator to the enforcement authority of the Commissioner for specified violations.

- Beginning January 1, 2019, program administrators must be licensed by the Commissioner under the California Financing Law, including display of license, preservation of records, reporting, including filing a specified annual report under oath, prohibiting making false or misleading statements, and advertising.

- Program administrators must also establish and maintain a training program for PACE solicitor agents, establish and maintain a process for minimum background checks, evaluate the compliance of a PACE solicitor and a PACE solicitor agent with applicable law, and establish and maintain a process to cancel the enrollment of a PACE solicitor or PACE solicitor agents who fail to meet minimum qualifications.

<u>Program Impact in El Dorado County</u>

Number of Contracts

The El Dorado County Auditor-Controller's Office reports 879 total properties assessed on the 2017-18 tax roll, as of August 10, 2017, with the following breakdown by program:

- WRCOG's HERO: 189
- CSCDA's CaliforniaFIRST: 48
- CSCDA's OpenPace: 119
- GSFA's YGrene Works: 523

Further research into the total contracts by residential and commercial, the value of contracts/improvements, and impact on the local economy is challenged due to inconsistent statistical tracking by the various companies associated with program administration. Recent California legislation (summarized above and in the attachments) will provide for consistent data reporting. Statistical information that is consistent and comparable across programs will likely be available in the following year(s).

Age of Homeowners, Percent Senior Population

Staff was asked to identify the age of homeowners participating in the program and specifically what percentage of program participants are seniors (taken to mean aged 55 and over). All program administrators have responded that they do not collect or track age-distribution information.

However, one respondent indicated that they will begin to do so with the new requirements under SB 242.

County Department Input

Staff was asked to consult with a number of County Departments. The most frequently expressed concern from County departments was the lack of sufficient consumer protections.

Staff was made aware of two possible legal actions related to El Dorado County homeowners involved in a PACE program financing, with the legal matters being initiated by the homeowners. One instance reportedly involved a homeowner being concerned that payments had been assessed without work being initiated or completed. The second instance is reported to involve a homeowner who entered into a contract without having sufficient authority to enter a contract lien on the property, with the individual's family initiating the legal action. It is important to note that these are currently legal issues between homeowners and the PACE program contractors or administrators, and do not involve the County.

Based on a log of questions and concerns that has been maintained by staff in the Auditor's office, the majority of concerns surround confusion of program requirements, payment requirements and/or timing, claims of unmaterialized savings, misleading information regarding income tax implications, incomplete information regarding alternatives, and issues surrounding payoff of loans and timing for release of the lien.

Future Considerations

Should there be a concern regarding the benefit provided by making PACE programs available in the unincorporated areas of the County, the County has the ability to opt out of a PACE program at any time. However, existing contracts between homeowners and the financing companies would continue.

It should be noted that a number of public agencies, including the City of Bakersfield and Kern County, have recently voted to discontinue PACE programs.

In the alternative, should there be an interest by the Board in expanding the programs, additional PACE programs available in the State may be brought forward to the Board for future consideration following staff and County Counsel review of program and authority documentation.

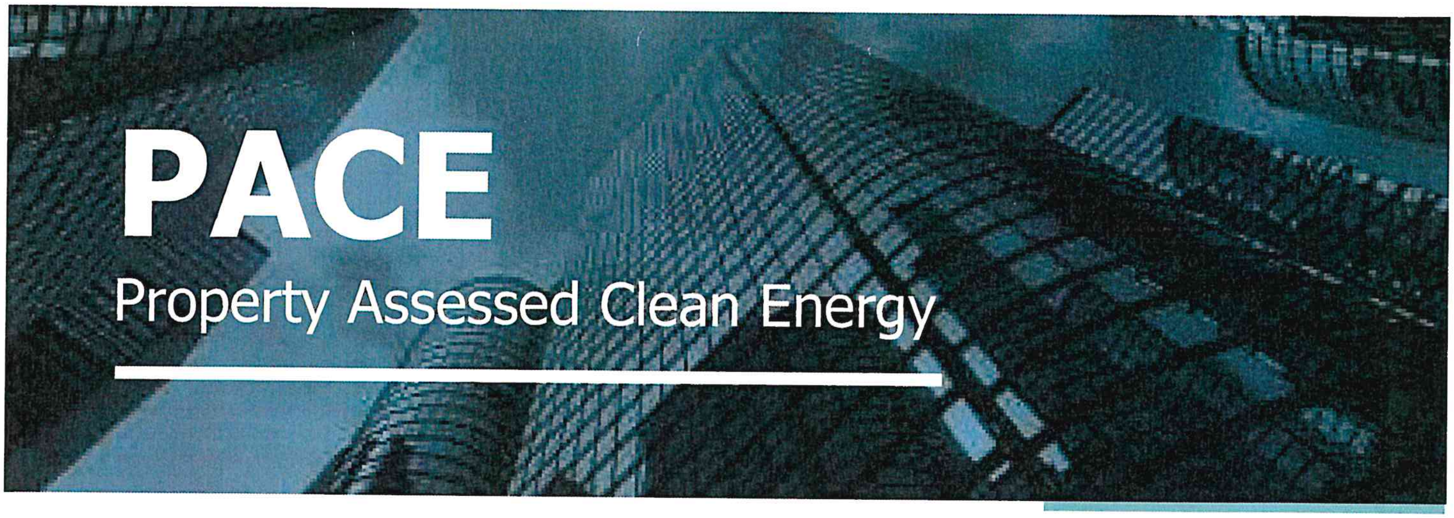
Another alternative would be for the County to develop and administer its own PACE program. Sonoma County and Placer County have both instituted AB811 contractual assessment districts and have established enterprise funds for PACE funding through their Auditor-Controller and Treasurer-Tax Collector's offices. Both of these programs budget a substantial amount for full-time employees including accounting staff and program specialists, bond purchases, and legal and transactional costs of issuing monthly bonds and complying with federal flow-down accounting and reporting requirements

It has been suggested that the County could require additional noticing of contactors working in the County to ensure greater consumer protections; however, such additional noticing may be seen as not being necessary with the adoption of State-wide measures.

Additionally, when first discussed and approved in 2015, the staff report indicated that the financial impact, related primarily to County administrative costs to process collections, would be offset by the collection of administrative fees from participating property owners. However, no evidence of a fee has been identified thus far. Discussions with current program administrators could result in the implementation of administrative fees referenced in the original discussions.

ATTACHMENTS – A

Sample fliers and program reports from El Dorado County PACE providers



PACE

Property Assessed Clean Energy

WHAT IS PACE?

Property Assessed Clean Energy (PACE) is a financing mechanism that enables low-cost, long-term funding for energy efficiency, renewable energy and water conservation projects. PACE financing is repaid as an assessment on the property's regular tax bill, and is processed the same way as other local public benefit assessments (sidewalks, sewers) have been for decades. Depending on local legislation, PACE can be used for commercial, nonprofit and residential properties.

HOW DOES IT WORK?

PACE is a national initiative, but programs are established locally and tailored to meet regional market needs. State legislation is passed that authorizes municipalities to establish PACE programs, and local governments have developed a variety of program models that have been successfully implemented. Regardless of model, there are several keystones that hold true for every PACE program.

- PACE is voluntary for all parties involved.
- PACE can cover 100% of a project's hard and soft costs.
- Long financing terms up to 20 years.
- Can be combined with utility, local and federal incentive programs.
- Energy projects are permanently affixed to a property.
- The PACE assessment is filed with the local municipality as a lien on the property.

WHY IS IT SO POPULAR?

Property owners love PACE because they can fund projects with no out-of-pocket costs. Since PACE financing terms extend to 20 years, it's possible to undertake deep, comprehensive retrofits that have meaningful energy savings and a significant impact on the bottom line. The annual energy savings for a PACE project usually exceeds the annual assessment payment, so property owners are cash flow positive immediately. That means there are increased dollars that can be spent on other capital projects, budgetary expenses, or business expansion.

Local governments love PACE because it's an Economic Development initiative that lowers the cost of doing business in their community. It encourages new business owners to invest in the area, and creates jobs using the local workforce. PACE projects also have a positive impact of air quality, creating healthier, more livable neighborhoods.

HOW CAN I GET PACE?

www.PACENation.us has all the tools and resources you need to get started with PACE. Check to see if your state has passed a PACE statute, and if your area has an active program. If not, contact us to find out if there is a local initiative in development and we may be able to put you in touch with a working coalition. We look forward to hearing from you!

BENEFITS OF PACE

WORKFORCE DEVELOPMENT: Creates local jobs

ECONOMIC DEVELOPMENT: Lowers cost of doing business

BUILDING STOCK: Maintained and upgraded

BOTTOM LINE: Directly impacts local businesses

HEALTHY AIR: Environmental impact

PACENation
Building the clean energy economy

PACENation is the national, nonprofit advocate for PACE financing. We provide leadership, data, support and resources for the growing marketplace.

www.pacenation.us
info@pacenow.org

WRCOG PACE PROGRAMS

WRCOG administers multiple PACE Programs in collaboration with its private sector partners, which provide financing for energy efficiency, renewable energy, and water conservation retrofits on residential and commercial properties. Financing is paid back through a lien placed on the property tax bill.
All programs adhere to the PACE Consumer Protection Policies (PDF).

CaliforniaFIRST Program
Administered by WRCOG in partnership with Renew Financial, provides residential and commercial PACE financing to property owners. Call CaliforniaFIRST at 888-906-3560

HERO Residential Program
Administered by WRCOG in partnership with Renovate America, provides residential PACE financing to homeowners. Call HERO at 855-HERO-411

PACE Funding
Administered by WRCOG in partnership with PACE Funding Group, LLC. provides residential PACE financing to homeowners. Call PACE Funding at (844) USE-PACE.

SAMAS Commercial Program
Administered by WRCOG in partnership with SAMAS Capital, LLC, offers commercial PACE financing to business owners. Call SAMAS at 800-645-0687

Spruce Finance Program
Administered by WRCOG in partnership with Spruce Finance, provides residential PACE financing to property owners. Email Spruce Finance at paceteam@sprucefinance.com.

From California to Florida
How we became the company that...

Created 8,000 local jobs.

Invested 1.34 billion dollars into local economies.

Drove 644,000 Mtons reduction in greenhouse gasses.

About Ygrene

Ygrene Energy Fund is a national leader in residential and commercial clean energy financing. Founded in 2010, Ygrene's award-winning, privately funded Property Assessed Clean Energy (PACE) program is revolutionizing the home improvement industry, making it easier for property owners to invest in their futures and a healthier environment. Ygrene is delivering greater choice for home and business owners by providing accessible and affordable financing for energy efficiency, renewables, water conservation, storm protection and seismic upgrades. Recognized as one of the fastest growing asset classes in the country, PACE has proven to be a successful tool for supporting public policy initiatives, all without the use of public tax dollars or credits. To date, Ygrene has provided over $1 billion of private capital to more than 400 local communities, creating thousands of jobs and investing millions into local economies across the U.S.

Our Story Starts Here

We started a mission: To make energy-smart home and building improvements easy, accessible, and affordable for every property owner. We believe government, business, and individuals can come together to make that happen.

In the Spring of 2006, Dennis Hunter co-founded and organized a four-bank lending system called Green Energy Loan (GEL) for the purpose of facilitating financing that would enable homeowners to retrofit their homes to reduce carbon emissions. This project led, in part, to the inception of Sonoma County's PACE Program ("SCEIP"). In response to the success of SCEIP, Mr. Hunter realized the need for a more efficient administrative and financial model. GEL quickly added software development personnel, began work on the web tools needed to underpin a fully scaled-up national PACE program and recruited a management team to propagate the business throughout the country.

The team also refined the business model and created marketing plans, resulting in the formal founding of Ygrene Energy Fund. Through the summer and fall of 2010, Ygrene entered into discussions with multiple local banks to secure the strong financial partnerships that provide the backbone for Ygrene's fully funded model. With the combination of a virtually limitless source of capital, a wealth of financial expertise and strong relationships with industry leaders, Ygrene is now in a position to offer turnkey Clean Energy Financing District setup, administration and financing throughout the U.S.

WORKS

Get Started Now!

APPLY NOW

866-634-1358 | Contractor Login

Homeowners Contractors Commercial Service Areas Improvements About Blog

CHECK ELIGIBILITY

The smart alternative to traditional credit-based financing

Get all your qualifying projects done at once
Stop worrying about which home improvements to take on first. Now you can bundle new efficient windows, insulation, and a cool roof into one project.

No upfront payment
Upfront payments are the #1 barrier to moving forward on home improvements - especially those that cut energy usage.

Fixed terms up to 30 years
No balloon payments. No funny business with fees. Just one competitive rate locked in for the long haul. Make payments through your property tax bill.

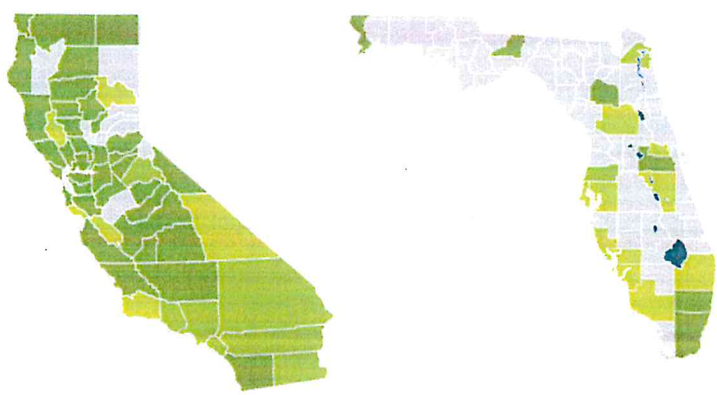
Energy savings may pay for the improvements
You can control how much you save. Whether it's windows and insulation for efficiency or adding solar to the mix, we find the right balance for you and your home. And your pocketbook, of course.

Payments may stay with the property
If you sell your home, your payments may transfer to the new owner, just like your property taxes—so you only pay for improvements while you use them.*

Eligibility based on property equity
Ygrene financing isn't considered personal debt. Eligibility is based on property equity, among other factors. There's no reason to take on debt for home improvements anymore. (Your credit report will be requested during the application process).

**Some lenders may require full repayment upon sale or refinance.*

Service Areas



Want Ygrene in your community? Let us know

California Statewide Communities Development Authority Open PACE Program Report December 4, 2014

1. Introduction

The California Statewide Communities Development Authority ("CSCDA") has established the CSCDA Open PACE Program for the benefit of its county-members (including any incorporated city within those counties) and the cities in Los Angeles County that are members of CSCDA (Los Angeles County is not currently a member of CSCDA). This CSCDA Open PACE Program Report (this "Program Report") outlines the basic design and financing structure of a property assessed clean energy ("PACE") municipal financing program called the CSCDA Open PACE Program (the "Open PACE Program"or "Program").

CSCDA anticipates that there will be multiple program administrators engaged to independently administer and provide financing under the Open PACE Program. Separate Program Handbooks will provide additional details about how the Open PACE Program will operate in respect of a particular program administrator.

1.1 California Statewide Communities Development Authority

The California Statewide Communities Development Authority ("CSCDA") is a statewide joint powers authority sponsored by the California State Association of Counties and the League of California Cities. CSCDA's mission is to provide local governments access to low-cost financing for projects that provide a tangible public benefit, contribute to social and economic growth, and improve the overall quality of life in local communities.

1.2 Purpose of the Open PACE Program

CSCDA is offering the Open PACE Program on a statewide basis to encourage the installation of distributed generation renewable energy sources, energy efficiency improvements, water efficiency improvements, seismic strengthening improvements and electric vehicle charging infrastructure within the existing residential and non-residential building stock. CSCDA will issue assessment-backed bonds that will allow property owners to access competitive interest rates offered by the capital markets.

With the passage of AB 32, the State of California (the "State") set ambitious goals for reducing carbon emissions and building alternative energy use. The California Public Utilities Commission has set a goal of retrofitting over 13 million residences in the State to be at least 30% more energy efficient. Many California cities and counties have also set their own greenhouse gas reduction targets. Similarly, water conservation efforts, including the promotion of water-related improvements to residential, commercial, industrial, or other real property, are necessary to address the issue of chronic water shortages in the State.

Property owners can help to achieve greenhouse gas reductions and reduce water use and, at the same time, save money by investing in distributed generation renewable energy sources, energy efficiency, and/or water efficiency improvements. The number one barrier to achieving these goals is the large upfront cost. Utilities sell power and water to their customers as a simple pay-as-you-go service. Homes and businesses can be converted to clean energy and reduce water use quickly, but many believe that it can happen only if paying for distributed generation renewable energy sources, energy efficiency improvements and water efficiency improvements becomes simple - like paying a utility bill. The Open PACE Program can make this happen.

Many cities and counties in the State have begun screening properties in their jurisdictions for deficient wood frame construction ("Soft Story") and enacting mandatory seismic retrofit ordinances to address these problems. The Open PACE Program can provide property owners with an efficient means to finance these seismic retrofits and comply with local law.

1.3 Assessment Financing; Contractual Assessments

The Open PACE Program uses a tool that is widely used by local agencies in California to finance public benefit projects: land-secured financing. State law has long provided cities and counties with the power to issue bonds and levy assessments on the county property tax bill to finance public projects such as sewers, parks, and the undergrounding of utilities.

Chapter 29 of the Improvement Act of 1911, commencing with Section 5898.10 of the Streets & Highways Code of the State ("Chapter 29"), authorizes the levy of "contractual assessments" to finance the installation of distributed generation renewable energy sources, energy efficiency improvements, water efficiency improvements, seismic strengthening improvements, and electric vehicle charging infrastructure that are permanently fixed to real property.

A "contractual assessment" is an assessment that is levied by contract, between a public agency and property owner, pursuant to Chapter 29. A draft form of assessment contract is attached to this Program Report as Exhibit A (the "Assessment Contract"). The Assessment Contract is strictly voluntary and will be executed by each participating property owner and CSCDA.

Under the Open PACE Program, a contractual assessment lien is placed on each participating property in an amount necessary to (i) finance the installation of authorized renewable energy, energy efficiency, water efficiency, seismic strengthening or electric vehicle charging infrastructure improvements over a 5-39 year period of time, depending upon the expected useful life of the financed improvements, (ii) pay for costs of issuing bonds (including funding a reserve fund, if required), and (iii) pay the costs of administering the Open PACE Program. The contractual assessment installments are collected on the property tax bill of the county in which the participating property is located. If the owner sells the property, the contractual assessment obligation remains an obligation of the property.

Under the Open PACE Program, if a property owner fails to pay the annual contractual assessment installments, CSCDA is obligated to strip the delinquent installments off the property tax bill and commence judicial proceedings to foreclose the lien of the delinquent installments. This is an expedited procedure that can result in the public sale of the property in less than a year.

All property owners participating in the Open PACE Program need to consult their private lenders to determine that the execution of the Assessment Contract will not violate their existing loan agreements. Property owners may wish to obtain written consent or affirmative acknowledgement of existing lenders whose consent or affirmative acknowledgement is required for further encumbrance. The Open PACE Program's consent or affirmative acknowledgement requirement, if any, will be detailed in the Program Handbooks.

The Open PACE Program is completely voluntary, and property taxes for properties that do not choose to participate are completely unaffected by the Open PACE Program. Individual contractual assessments are not affected by other properties participating in the Open PACE Program.

1.4 Purpose of This Program Report

This Program Report constitutes the report required pursuant to Section 5898.22 of Chapter 29 for the Open PACE Program. The Open PACE Program will be offered throughout the State to owners of property that is located within the boundaries of:

a. the unincorporated territory of a county that is a member of CSCDA, and the board of supervisors of that county has adopted an authorizing resolution in compliance with applicable law;

b. the incorporated territory of a city located within a county that is a member of CSCDA, and the legislative body of the city has adopted an authorizing resolution in compliance with applicable law; or

c. a city in Los Angeles County, and the legislative body of the City in Los Angeles County has adopted an authorizing resolution in compliance with applicable law.

1.5 Program Administration and Underwriting

CSCDA has hired third-party administrators to administer the Open PACE Program, initially the AllianceNRG™ Program (delivered by Counterpointe Energy Solutions, Deutsche Bank and Leidos Engineering) and Renovate America, LLC. The administrators will review applications and provide marketing and customer service through a website, email, and a toll-free phone number.

2. Program Requirements

This Program Report identifies the Open PACE Program requirements relating to the types of improvements that can be financed under the Open PACE Program, eligible properties and financing parameters.

2.1 Eligible Products

The Open PACE Program offers financing of the installation of only approved distributed generation renewable energy sources, energy efficiency improvements, water efficiency improvements, seismic strengthening improvements and electric vehicle charging infrastructure improvements that will be permanently fixed to real property ("Eligible Products").

The Open PACE Program will offer financing for a number of eligible equipment types, energy efficiency measures, water efficiency/conservation improvements, solar systems, seismic strengthening improvements and other innovative, energy-saving, water saving, and energy generation custom products for residential and commercial property owners as specified in the applicable Program Handbook.

Minimum energy efficiency specifications are set at EnergyStar, California Title 24 and Title 20, and WaterSense standards, as applicable. Efficiency standards will "ratchet-up" with EnergyStar, WaterSense, California Title 24 and Title 20 standards, or other new standards as may be appropriate and as agreed upon by the applicable program administrator.

Any solar PV system must be eligible for and participate in CSI or an equivalent utility rebate program, unless the property is not connected to the electricity grid or such utility rebate program is not available.

Property owners are responsible for installation, operation and maintenance of the Eligible Products installed as a result of their participation in the Open PACE Program. Property owners must address performance and other system-related issues directly with the contractor according to the terms of the contract between the property owner and the contractor. The Open PACE Program is a financing program only. Neither CSCDA nor its employees or agents are responsible for the Eligible Products or their performance.

2.2 Property Eligibility Criteria

In order to receive financing from the Open PACE Program, the property to be assessed and its owners must meet the following basic requirements. Details on the criteria are provided in the Program Handbooks; the criteria may be modified from time to time by the program administrators (without action by the Commission of CSCDA) in order to conform to changes in law, emerging best practices or otherwise deemed appropriate but the criteria must at all times be in compliance with applicable law.

a. **Applicant.** Applicant(s) must be the property owner(s) of record.

b. **Address.** The applicant's property must be located with the boundaries of a jurisdiction that has authorized the Open PACE Program to operate within its boundaries as described in Section 1.4 of this Program Report.

c. **Involuntary Liens.** The property must not be subject to involuntary liens, judgments or defaults or judgments in excess of the amount identified in the applicable Program Handbook.

d. **Property Taxes.** The property owners must be current on their property taxes within the time period specified in the applicable Program Handbook.

e. **Mortgage Debt.** The mortgage debt on the property must not exceed that certain percentage of the value of the property as set forth in the applicable Program Handbook.

f. **Annual Property Taxes.** The total annual property tax and assessments, including the contractual assessment, on the property must not exceed 5% of the property's market value, as determined at the time of approval of the Assessment Contract.

g. **Bankruptcy.** The property owner must not have declared bankruptcy within the time period specified in the applicable Program Handbook.

2.3 Eligible Contractors

The cost of installation of Eligible Products shall be eligible to be financed under the Open PACE Program only if such installation is completed by a contactor that is registered with the Open PACE Program or by the property owner if self-installing such Eligible Products. A list of contractors that are registered with the Open PACE Program shall also be located on the Open PACE Program website. Registration of a contractor with the Open PACE Program is neither a recommendation of such contractor nor a guaranty of or acceptance of responsibility for such of such contractors by CSCDA, Deutsche Bank, Leidos Engineering, Counterpointe Energy Solutions, Renovate America or the City or County in which the property upon which the Eligible Products are installed is located, any of their respective officers, employees nor agents and none of CSCDA, Deutsche Bank, Leidos Engineering, Counterpointe Energy Solutions, Renovate America, the City or County in which the property upon which the Eligible Products are installed is located or any of their respective officers, employees or agents have any responsibility whatsoever for the selection by a property owner of a registered contractor or the work performed by such registered contractor.

2.4 Quality Assurance

Quality assurance protocols serve to prevent improper or low-quality installation of energy and water improvements and protect against fraud and abuse in the Open PACE Program. The Open PACE Program will institute a quality assurance protocol. All quality assurance procedures are subject to review and adjustment based on applicable State and federal standards. Details on the current quality assurance procedures are outlined in the applicable Program Handbook. Despite the presence of these protocols and procedures, the responsibility for the successful operation of any products is that of the property owner and its contractor, and not of CSCDA, Deutsche Bank, Leidos Engineering, Counterpointe Energy Solutions, Renovate America or the City or County in which the property upon which the Eligible Products are installed is located, including their respective officers, agents or employees.

3. Financing of the Open PACE Program

3.1 Minimum and Maximum Financing Amounts

Maximum Financing Amount for the Open PACE Program. The maximum aggregate dollar amount of the principal component of contractual assessments to be levied under the Open PACE Program is $41 billion, subject to increase if there is sufficient demand.

Minimum and Maximum Financing Amounts for Each Property. The minimum and maximum financing amount for a single property is defined in the Program Handbooks.

3.2 Financing Structure

CSCDA will finance the installation of Eligible Products by issuing bonds backed by the assessments created by the Open PACE Program. The proceeds from the sale of the bonds will provide capital for the Open PACE Program to finance the Eligible Products. The financing or refinancing of Eligible Products may be in the form of paying for the ownership of the Improvements or, subject to the requirements of Chapter 29, paying or prepaying for the energy or other output of the Improvements, which Improvements may be owned for tax purposes or otherwise by a third-party.

3.3 Overview of Application and Financing Process

Applications from property owners for financing will be considered on a first come, first served basis. If an authorized maximum amount is exceeded, then the last property that caused the authorization amount to be exceeded will be ineligible for financing. All applications receive a time stamp in order to evidence priority.

Sample Residential Application and Financing Process

Education. Property owners visit the Open PACE Program website to learn about the Open PACE Program, financing terms and other details, and find approved contractors and products.

Application. Property owners may complete an application over the phone, mail, fax or on-line. Completed applications must include a proposed project and contractor bid. Property owners must agree to the Open PACE Program terms as part of the application.

Review and Approval. The Open PACE Program performs title search to confirm ownership, screens for unpaid taxes or other delinquent property-based debt, applies loan-to-value metrics, and evaluates the proposed project. CSCDA will approve an application only after confirming that the property meets the underwriting criteria and other Open PACE Program requirements as outlined in this Program Report and the applicable Program Handbook.

Reservation. If CSCDA approves an application, the Open PACE Program will provide a Notice to Proceed to the property owner. The property owner has a specific period of time to install the Eligible Products and to request funding when the property has met all the applicable requirements for funding.

Installation. A qualified contractor must complete the installation of Eligible Products on the property. See "Eligible Products" and "Eligible Contractors" in the applicable Program Handbook.

Financing. Once a project is complete, the property owner submits a Completion Certificate, a lien is placed on the property, a bond is issued, and payment is released to the payment designee; however, where identified in the applicable Program Handbook, progress payments in the form of multiple disbursements may be arranged.

Repayment. The property owner will be expected to pay the contractual assessment installments in the amounts and at the times specified in the Assessment Contract. In general, the contractual assessments will be due at the same time as property taxes.

Sample Non-Residential Application and Financing Process

Education. Property owners visit the Open PACE Program web site to learn about the Open PACE Program, financing terms and other details, and find approved contractors and products. Additional information will be provided to non-residential property owners to determine that they meet the eligibility requirements outlined in the applicable Program Handbook.

Application. Property owners will complete an application over the phone, mail, fax or on-line. Applications must include a proposed project and contractor bid. Property owners must agree to the Open PACE Program terms as part of the application.

Review and Approval. The Open PACE Program performs title work to confirm ownership, screens for unpaid taxes or other delinquent property-based debt, applies loan-to-value metrics, and evaluates the proposed project. CSCDA will approve an application only after confirming that the property meets the underwriting criteria and other Open PACE Program requirements as outlined in this Program Report the applicable Program Handbook.

Reservation. If CSCDA approves an application, the Open PACE Program will provide a notice to proceed to the property owner. The property owner has a specific period of time to install the Eligible Products and request funding when the property has met all the applicable requirements for funding.

Installation. A qualified contractor must complete the installation of Eligible Products on the property. See Eligible Products" and "Eligible Contractors" in the applicable Program Handbook.

Financing. Once a project is complete, the property owner submits a Completion Certificate, a lien is placed on the property, a bond is issued, and payment is released to the payment designee; however, where identified in the applicable Program Handbook, progress payments in the form of multiple disbursements may be arranged.

Repayment. The property owner will be expected to pay the contractual assessment installments in the amounts and at the times specified in the Assessment Contract. In general, the contractual assessments will be due at the same time as property taxes.

3.4 Application; Approval or Denial

Application. All property owners interested in applying to the Open PACE Program must submit a signed application along with other application documents.

Approval or Denial. Based on the eligibility requirements listed in the applicable Program Handbook, CSCDA will approve or deny a residential or non-residential application within the specific time periods identified in the applicable Program Handbook. The applicant will be notified of approval or denial via email. See "Consumer Protection" in Section 4.

3.5 Costs of Issuance and Administrative Costs

The costs of issuing bonds and administering the Open PACE Program will be financed through participant application fees, proceeds of the financing, and an administrative component of the contractual assessment installments.

Financing of Upfront Costs. In addition to financing installation of the Eligible Products, CSCDA may finance certain costs of issuance and administrative costs, including but not limited to, the following amounts, which amounts may be included in the Assessment:

- **Program-Related Fees.** These include closing fees paid from a portion of bond proceeds to CSCDA, any other entities responsible for program management and administration, and bond counsel to CSCDA, as well as any other related costs of issuance of any bond.

- **Lien Recording Fee.** This one-time fee is paid from a portion of bond proceeds to cover the cost associated with recording the lien of the Assessment on the participating property.
- **Reserve Fund Deposit.** This is a one-time deposit from a portion of bond proceeds into a debt service reserve fund for bonds issued by CSCDA to finance installation of the Eligible Products on the property and other properties participating in the Open PACE Program.
- **California Alternative Energy and Advanced Transportation Financing Authority ("CAEATFA") PACE Loss Reserve Program Fee.** This is a one-time fee associated with the CAEATFA PACE Loss Reserve Program, which benefits any first mortgage lender on the property and other properties participating in the Open PACE Program. The fee will be paid from a portion of bond proceeds. This fee only applies to residential financing.
- **Deposit to Administrative Expense Fund for Foreclosure Expenses.** This is a one-time deposit from a portion of bond proceeds into an account that CSCDA may use to pay for the costs of foreclosing on the property and other properties participating in the Open PACE Program as a result of a delinquency in the payment of any contractual assessment installments or administrative expenses.
- **Capitalized Interest.** Each county establishes a deadline for placing contractual assessment installments and related administrative expenses on the county's tax roll each year. Depending on the date that CSCDA issues a bond to finance installation of Eligible Products on a particular property in relationship to the applicable tax roll deadline of the county in which the related participating property is located a portion of the proceeds of the bond may be used to fund the payment of one or more interest payments on the bond.

Administrative Expenses. Pursuant to the 1915 Act (including Sections 8682(b) and 8682.1(a)), CSCDA may add annual amounts to any Financing Installment in order to pay for the costs of collecting that installment and administering the Open PACE Program.

3.6 Amounts That Can Be Financed

Financing Cost. In order to receive funding, property owners will agree to pay annual assessment installments in an amount equal to (i) a portion of the principal amount of the contractual assessment (ii) interest on the unpaid principal amount of the contractual assessment, and (iii) ongoing administrative expenses.

1. Principal Amount. The principal amount of the contractual assessment may be composed of various costs and deposits including, but not limited to, the following items:

a. **Eligible Costs.** The Open PACE Program may finance the costs of installing Eligible Products, energy-efficiency or water-efficiency audit costs, and related professional services fees for engineering, project management and financing transaction structuring. All local and state rebates received for the project must be deducted from the financed amount prior to approval. The amount of the federal Investment Tax Credit (ITC) that the property may be eligible to receive does not need to be deducted from the financed amount.

b. **Deposit to a Debt Service Reserve Fund.** CSCDA or project investors may require property owners to finance a deposit to a debt service reserve fund; the reserve fund would be used to pay debt service on the bonds in the event of contractual assessment installment delinquencies. The amount of the deposit to a debt service reserve fund will be provided in the applicable Program Handbook.

c. **Deposit to CAEATFA Loss Reserve Fund.** The Open PACE Program may participate in the California Alternative Energy and Advanced Transportation Finance Authority's Loss Reserve Program that will reimburse mortgage holders on losses experienced as a result of the Open PACE Program lien on foreclosed properties. The amount of the deposit to the Loss Reserve Fund will be provided in the applicable Program Handbook.

d. **Deposit to Administrative Expense Fund for Foreclosure Expenses.** CSCDA may require property owners to finance a deposit to an account that will cover CSCDA's costs to initiate judicial foreclosure for properties that are delinquent on payment of their assessment contract. The amount of such deposit will be provided in the applicable Program Handbook.

e. **Capitalized Interest.** Because each county has established a deadline for placing the contractual assessments on its property tax bill, the principal component of the contractual assessment may also include the interest on the related bonds for one or more interest payment dates.

f. **Costs of Issuance and Administrative Costs.** Initial administrative costs and the costs of issuing any bonds are built into the principal component of the contractual assessment. The costs to be included in the principal component are provided in the applicable Program Handbook. See Costs of Issuance of Administrative Costs in Section 3.5.

2. **Interest Rate.** The rate of interest on the contractual assessment will be a fixed interest rate. The rate will be fixed at the time of a completed application for each assessment contract.

3. **Ongoing Program Administrative** Fees. Ongoing administrative costs are reflected in the administrative component of the annual contractual assessment installments and subject to increase by CSCDA. See "Costs of Issuance and Administrative Costs" in Section 3.5.

3.7 Payment Terms

Payment of the Open PACE annual contractual assessment installments is made through the addition of a line item on the property tax bill. Payment terms range from five to 39 years, depending on the average expected useful life of the installed Eligible Product.

Contractual assessments may be prepaid in full or in part at any time and may or may not be subject to a prepayment penalty. The prepayment penalty will be identified in the Assessment Contract.

3.8 Transfer or Resale of Property

The contractual assessment obligation remains an obligation of the subject property following the sale of the subject property. Successor property owners will receive disclosure of the contractual assessment as a result of the two statutory notices recorded in the real property records: the "Notice of Assessment" and the "Payment of Contractual Assessment Required." In addition, sellers of property are obligated by California law to disclose the contractual assessment obligations to prospective purchasers.

4. Consumer Protection

The Open PACE Program is subject to certain State and federal laws designed to protect consumers. Among other things, these laws require CSCDA to disclose information to property owners and, only during the three-day period following execution of the Assessment Contract, guarantee certain residential property owners the right to rescind the Assessment Contract without penalty (including the return of the application fee, if applicable). CSCDA will comply with all applicable State and federal laws in connection with the Open PACE Program.

5. Duration

The Open PACE Program will continue as long as there is sufficient demand and there is a positive regulatory environment.

6. Public Agency Official

CSCDA will, from time to time, authorize certain representatives to execute Assessment Contracts on its behalf; the current authorized representative is:

Name: Norman Coppinger
Title: Administrative Director
Phone: (916) 658-8277
Email: ncoppinger@cacities.org
Address: 1400 K Street, Suite 400
Sacramento, CA 95814

7. Changes to the Report

CSCDA may make changes to this Report and the other Open PACE Program documents from time to time in its absolute discretion. No such changes will affect the amounts payable by a property owner under an existing Assessment Contract.

CaliforniaFIRST™

CaliforniaFIRST Activity Summary

CaliforniaFIRST's PACE activity continued to grow across the State. This growth is due to both increased awareness and more communities voting to make PACE available. Our program is now available in over 400 cities and counties across California, covering close to 90% of the State's population.

The following is a summary of CaliforniaFIRST program activity:

CaliforniaFIRST Residential PACE Program Activity Across California			
Time Period	**# of Funded Projects**		**$ Amount Financed**
Third Quarter 2017	2,881		85,000,000
Since Program Inception	22,579		622,400,000
Program Impact Estimates from R-PACE Since Program Inception			
Jobs Created	8,159	46,279	Kilowatts of Solar
Lifetime Metric Tons of Avoided GHG Emissions	876,280	184,865	Equivalent # of Cars Off the Road for One Year
CaliforniaFIRST Commercial PACE Program Activity Across California			
Time Period	**# of Funded Projects**		**$ Amount Financed**
All of 2017 to Date	16		62,500,000
Since Program Inception	56		107,000,000

Please see the Excel file that accompanied the email to which this report was attached for a detailed summary of program activity and economic and environmental impact estimates in your community, as well as in the other communities in your county.

PACE News – Consumer Protection Enhancements

Passage of AB 1284 and SB 242

On October 3, 2017, Governor Brown signed into law two important pieces of legislation: AB 1284 and SB 242. These bills build significantly off of last year's PACE bill, AB 2693.[1]

AB 1284 and SB 242 establish a clear, enforceable statewide consumer protection framework that will help ensure positive outcomes for homeowners, and the continued viability and sustainability of PACE. The following page lists key provisions of each of these two new bills.

1. AB 2693 went into effect on January 1, 2017 and requires disclosures modeled after the mortgage industry's Know Before You Owe form. This means that prior to signing a PACE assessment contract, the homeowner must be provided a disclosure that clearly enumerates key details of the financing contract such as the interest rate, APR, fees and total amount financed.

SB 242 (Skinner-Dababneh): Additional Consumer Protections

Requires a **recorded, live, confirmation of terms call** between the PACE provider and property owner before he/she signs their assessment contract (reinforcing AB 2693's written disclosures).

Starting January 1, 2019, PACE providers who undertake the confirmation of terms call with a property owner in Spanish, Chinese, Korean, Tagalog and Vietnamese must 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 in hand.

Establishes a **ban on compensating contractors beyond the actual price of the home improvement project**, as well as prohibiting paying for contractor co-marketing and limiting contractor reimbursements for training expenses to $100.

Requires contractors to quote a property owner the **same price as cash** for a home improvement project when the owner is using PACE financing.

Prevents PACE providers from disclosing to contractors the amount of funds for which the property owner is eligible under a PACE assessment.

Establishes data **reporting requirements to local government partners**, including aggregated data that speaks to the projected energy and water savings and job creation impacts, as well as on categories of products installed and homeowners served.

AB 1284 (Dababneh-Skinner-Calderon): PACE Regulation and Ability to Pay in Underwriting

Strengthens and standardizes the current underwriting standards in PACE based on home equity and on-time mortgage and tax payment history; and requires that statistically calibrated **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.

Supporters of AB 1284 and/or SB 242

Businesses and Business Associations

- Bay Area Council (1284)
- CalAsian Chamber of Commerce
- California Association of County Treasurers and Tax Collectors (1284)
- California Bankers Association (1284)
- California Building Industry Association
- California Business Properties Assoc.
- California Chamber of Commerce (1284)
- California Credit Union League (1284)
- California Escrow Association (1284)
- California Hispanic Chamber of Commerce (1284)
- California Land Title Association (1284)
- California Mortgage Bankers Assn (1284)
- Dividend Solar
- Energy Efficient Equity (1284)
- National Federation of Independent Business
- Orange County Business Council (1284)
- Owens Corning
- PACENation
- Renew Financial
- Renovate America
- TechNet (1284)
- United Trustees Association (1284)

Local Government Organizations

- More than 70 local government elected officials
- California League of Cities
- California State Association of Counties
- Local Government Commission
- Los Angeles County
- Rural County Representatives of California (242)
- South Bay Cities Council of Gov'ts. (242)
- Southern CA Assn of Governments (242)
- Western Riverside Council of Governments (242)

Renewable Energy/Environmental Organizations

- Advanced Energy Economy
- Brightline Defense
- Build It Green
- California Energy Storage Association
- California Solar Energy Industries Association (CALSEIA)
- Center for Sustainable Energy
- Cleantech San Diego
- Climate Action Campaign
- Efficiency Demand Management Council (242)
- Environmental Defense Fund
- League of Conservation Voters California (242)
- Natural Resources Defense Council
- Sierra Club California
- Vote Solar

Links to Articles

Op-ed by Senator Nancy Skinner, Capitol Weekly: http://capitolweekly.net/pace-energy-financing/

LA Times: http://www.latimes.com/business/la-fi-pace-bills-20170916-story.html

Realtor agrees with Visalia PACE vote, Visalia Times-Delta: http://www.visaliatimesdelta.com/story/opinion/2017/09/19/realtor-agrees-visalia-pace-vote/678676001/

2017 Year in Review

It's been a productive year at Ygrene, and our growth starts with having strong partnerships with cities and states across the U.S. While the list of accomplishments is long, here's a quick "Top 10" look back at 2017.

Through your efforts, PACE has created quality jobs, made your communities more resilient, and made affordable clean energy financing possible for thousands of Americans. Working with you, we look forward to an even more productive 2018!

LOCAL GOVERNMENT UPDATE

Happy Holidays from Ygrene Energy Fund

Seasons Greetings and Happy New Year from your friends at Ygrene. As 2017 comes to a close, let's reflect on some successes for the PACE industry over the past year.

Seismic Improvements Now Offered

Ygrene can now help your constituents stay safe and in compliance with existing building codes with financing for new PACE-eligible seismic retrofit property improvements.

PACE-eligible seismic improvements include:
Lateral systems
Shear walls
Moment frames
New steel columns
Column, frame and foundation strengthening
Foundation and structural connection system
Masonry reinforcements
Emergency shut-off systems
Custom seismic improvements
Associated seismic costs including structural analysis, design and engineering

Assembly Bill 1284

Now known as the "California Financing Law," AB 1284 creates regulatory oversight for PACE under the Department of Business Oversight and includes additional protections for PACE consumers.

Senate Bill 242

SB 242 adds new consumer protections to PACE financing. Most notably it requires mandatory call-back confirmation calls for all PACE consumers, updates data reporting requirements for PACE Administrators, and prohibits gifts for contractors to steer consumers into a specific program. Ygrene had already implemented these provisions and other consumer protections prior to the introduction of this bill.

PACE Growth in 2017

We started 2017 in 238 cities and counties with 23.6M in population, and we are closing it with **273 communities** with a population of **25.6M people**. Additionally, we have provided funding for residential and commercial **projects totaling $1.2B** since our program's inception.

As the need for water conservation and energy efficiency upgrades continues to grow, access to affordable financing is essential in order to meet the demand of building strong, resilient communities. We look forward to serving you in the New Year.

Mike Lemyre
SVP, District Development and Government Affairs

Take a look at the graphic below tracking the progress of our expansion across California

NEW SERVICE AREAS

Now Serving 492+ Communities

Local governments in **over 492 communities** across the nation, including **273 cities and counties in California**—such as Los Angeles, San Diego, San Jose and Riverside County—have approved YgreneWorks PACE financing.

Cities recently approving YgreneWorks include:

- Dublin (Alameda)
- Lathrop (San Joaquin County)
- Truckee (Nevada County)
- Victorville (San Bernardino County)
- Yucca Valley (San Bernardino County)

View a complete list of YgreneWorks authorized communities.

Spotlight on the County of El Dorado

Since the program's inception across El Dorado County, there have been **857 residential and commercial projects** completed for more than **$20.6M in business for local contractors**.* This has led to the creation of **310 jobs, over 24k Metric Tons of CO_2 abated**, and enough energy generated to power **over 20,400 homes**.

YgreneWorks continues to make great strides in assisting cities and counties across the nation meet their clean energy and resiliency goals.

*as of 11/30/17

ECONOMIC & ENVIRONMENTAL IMPACT

Ygrene has completed **more than $803M** in residential and commercial project improvements, resulting in significant estimated environmental and economic benefits.

IN THE NEWS

12/5/17: Securitization could open floodgate for green finance

>More news

CONTACT

For more information, please call our Government Affairs office at (707) 236-6655, or email us at government.relations@ygrene.com.

ATTACHMENTS – B

News releases and articles re: concerns and recent related actions

PACE Energy Efficiency Loans: Good Intentions, Big Risks for Consumers (/issues/pace-energy-efficiency-loans.html)

What is a Property Assessed Clean Energy (PACE) Loan?

(/images/pdf/energy_utility_telecom/appliance_efficiency_standards/ib-pace-loans.pdf)Print in PDF (/images/pdf/energy_utility_telecom/pace/what-is-pace-loan.pdf) (/images/pdf/debt_collection/Debt-Collection-Facts-2016.pdf)

PACE programs, authorized by local governments under state legislation, offer loans for residential and commercial renewable energy and efficiency improvements. Energy efficiency is a pivotal tool for reducing energy costs and enhancing home energy security in low-income households. While well-designed PACE programs may save energy and/or money for higher-income households, they are inappropriate for homeowners eligible for free or lower cost efficiency programs. Further, PACE has few consumer protections. Expensive loans that are often pushed by aggressive contractors for projects with questionable savings pose serious risks of predatory lending. Reports are already surfacing of problems that mimic the home equity scams and subprime abuses of the 1990s and 2000s.

PACE loans are offered through private contractors but are secured by a property tax lien and are collected through the tax bill. Many localities fund the program by issuing bonds linked to homeowner tax payments. These bonds are then sold to a private company that securitizes them and sells them on Wall Street. The local government often receives a fee for participating.

Tax payments are due once or twice per year unless taxes are escrowed with the homeowner's regular mortgage payment. There are several PACE models, but typically PACE loans are first-priority liens that jump ahead of existing mortgages. Features of California's PACE program (known as HERO—Home Energy Renovation Opportunity) include:

- Private contractors solicit and enroll homeowners, often through door-to-door solicitations.
- Generally 8% to 9% interest plus a fee. Can add thousands of dollars per year to the property tax bill for 5, 10, or even 20 years.
- Applications can be approved from the doorstep through a phone call and contracts may be e-signed (electronically) on the spot.
- An energy/water audit is recommended but is not required before the homeowner selects from a lengthy list of eligible energy efficiency, water efficiency, or renewable products.
- The contractor performs the installation and is paid by the local government.

Consumer Concerns

- Underwriting does not check whether borrowers can afford the loan; there is no guarantee that energy savings will pay for the improvements.
- No clear remedies for injured homeowners.

- Offered to low-income homeowners who are eligible for free energy efficiency improvements through the federal Weatherization Assistance Program or other lower cost options, but no requirement to tell homeowners about these free or low-cost options.
- Nonpayment risks tax foreclosure and default on the homeowner's traditional mortgage.
- Taking on a PACE lien may violate existing mortgages (even if payments are made); and may cause problems when selling or refinancing the house.
- PACE liens may not be covered by the Truth In Lending Act (TILA) or Real Estate Settlement Procedures Act (RESPA), which provide:
  - Ability-to-repay requirements.
  - 3-day advance review of documents with the right to cancel.
  - Ban on kickbacks; rules for broker compensation to avoid conflicts of interest;.
  - Extra protections for high-cost loans;
  - Enforceable remedies for violations and a ban on forced arbitration clauses (which significantly reduce a consumer's legal options and rights).

- Marketed through door-to-door sales and telemarketers, posing a high risk of deceptive sales tactics and other home-improvement contractor abuses.
- No protections against upselling other products; less assurance of energy savings than through the federal Weatherization Assistance Program.
- Fannie Mae and Freddie Mac will not purchase loans on properties with PACE liens so it can be hard to refinance or sell those properties.

Recommendations

- Require assessment of ability to repay.
- Screen low-income households for eligibility for the free low-income Weatherization Assistance Program and other no- or low-cost programs.
- Mandate compliance with TILA and RESPA.
- Require compliance with the FTC's Holder Rule, so consumers have remedies against the holder of their loan, and so consumers aren't required to pay for defective repairs or equipment or scams.
- Before work starts, require independent verification that the consumer signed the contract and understands the costs and risks. Before the contractor is paid, independently verify that the work was properly completed. Require robust financial counseling for vulnerable homeowners.
- Require an independent energy audit to identify cost-effective improvements and to reduce the risk of unnecessary work. An exception may be made for emergency repairs if the measures are limited to addressing the emergency.
- Adopt rules that discourage upselling and products not recommended by the energy audit.
- Establish a homeowner protection fund for those injured by judgment-proof contractors.
- Ban deceptive tactics (i.e., claims that "it'll pay for itself" unless that is guaranteed). Unfair practices by an auditor or contractor should be automatic violations of state laws prohibiting unfair and deceptive acts and practices.

For More Information

National Consumer Law Center comments to U.S. Department of Energy (Aug. 18, 2016): **http://bit.ly/2ceBOJF (http://bit.ly/2ceBOJF)**

Contact: NCLC staff attorneys Charlie Harak (**charak@nclc.org (mailto:charak@nclc.org)**) and Lauren Saunders (**lsaunders@nclc.org (mailto:lsaunders@nclc.org)**).

This Clean Energy Home Loan Program Has Problems. California's Trying to Fix Them.

BY: Liz Farmer | December 13, 2017

A decade after California became ground zero for what is now one of the country's fastest-growing home loan programs, the state has passed unprecedented regulations to protect borrowers from deceptive financial practices.

The program, property assessed clean energy (PACE) financing, offers loans to help residential or commercial property owners pay for energy-efficient upgrades, such as solar panels, LED lighting and window insulation. The residential loans are typically around $25,000, and the terms are for up to 20 years. They are automatically paid back through the borrower's property tax bill, making local governments responsible for collecting the payments.

The idea is that the energy savings generated from an upgrade would help property owners pay back the loan. Local governments that have launched PACE programs say they create jobs, help homeowners save money on their electricity bills and reduce their community's energy footprint.

But in California, which accounts for most of the program's growth and is home to the nation's first PACE program in Berkeley, the government-supported financing model has increasingly come under fire from those who are concerned that homeowners are taking out loans they can't afford on the advice of contractors eager to profit from the installation work.

"There hasn't been a lot of these things, but it's been enough that it's worrying," says Tim Fisher, coordinator of legislative and federal affairs for the Council of Development Finance Agencies. "People can get taken advantage of or get caught up in signing up for something they don't really want."

In Los Angeles, for example, Cassina Edwards told the *Los Angeles Times* that her mother, who receives $11,600 a year from Social Security and suffers from dementia, took out a roughly $50,000 PACE loan. Edwards said the contractor explained that "a government program" would help her mother afford the improvements but never explained how that would work or that she could lose her house if she missed payments. Her mother defaulted on her first payment of $5,500.

In response to stories like these, the California Legislature this year approved a slew of new requirements in two separate bills designed to protect homeowners. The protections -- which were signed into law in October -- include a first-in-the-nation requirement that property owners' ability to pay is considered, and they allow for a three-day grace period in which the homeowner can cancel their PACE loan contract with no penalty.

The new laws also create standards for contractors, who typically are the first point of contact for homeowners taking out a PACE loan. Under the law, contractors selling PACE loans in California have to meet minimum training requirements and are barred from receiving kickbacks from PACE financing companies. Lenders, meanwhile, are barred from offering incentives to property owners who take out a PACE loan.

The industry has been generally supportive of California's new regulations. Because PACE programs are administered locally, they can vary widely between jurisdictions. "Without cohesive guidance at the state level, it's harder to ensure everybody plays by the rules," says Cisco DeVries, CEO of PACE lender Renew Financial and the pioneer behind Berkeley's PACE program.

The legislation also includes new data reporting requirements and could shed more light on what -- if any -- role PACE loans might be having on default rates in California.

The picture has so far been incomplete. According to an August *Wall Street Journal* analysis of tax data in 40 California counties, defaults have jumped over the past year. Roughly 1,100 borrowers missed two consecutive payments in the tax year that ended June 30, compared with 245 over the previous year. PACE lenders counter that the role of energy efficiency loans is negligible because the default rate cited by *WSJ* -- less than 2 percent -- is in line with historic default rates on tax bills.

The PACE industry has another reason for supporting state action, though: Proposals at the federal level are far less favorable.

Nationwide, PACE residential loans have skyrocketed from $200 million at the end of 2013 to $4.4 billion today, according to the industry group PACE Nation. But despite its growth, the industry is vulnerable: Twenty-two states have passed PACE-enabling legislation for residential properties, yet programs only exist in California, Florida and Missouri. Federal legislation could spell disaster.

U.S. Republican Sen. Tom Cotton or Arkansas has called PACE financing "a scam" and said that "lenders are changing state and local laws to trick seniors into taking out high-interest rate loans for 20 years, along with liens on their homes, for technology that could be obsolete in a few years." He has introduced a bill that would require PACE lenders to follow the same regulations and disclosures as banks and mortgage lenders.

Lenders say such regulations would effectively kill the industry because it would increase the cost of lending and require local governments administering the loan payments to essentially act as mortgage lenders.

Making matters potentially worse for the industry, the Federal Housing Administration this month, in response to criticism that homes with PACE liens have become too difficult to sell, announced it will stop insuring new mortgages on homes with PACE loans.

DeVries says he hopes that California's model will show federal officials that local control can help PACE programs work *and* protect consumers.

"Local officials can choose the terms and conditions under which it is available," he says. "That's a powerful thing: If it's not working, people have the ability to talk to their local elected about it. That's unlike any other financial product."

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FHA TO HALT INSURING MORTGAGES ON HOMES WITH PACE ASSESSMENTS

WASHINGTON - The Federal Housing Administration (FHA) today announced it is reversing a short-lived policy announced in July of 2016 and will no longer insure new mortgages on properties that include Property Assessed Clean Energy (PACE) assessments. Read FHA's mortgagee letter.

FHA's decision is part of a larger effort to protect the health of its Single Family Mutual Mortgage Insurance Fund (MMIF) and the borrowers who rely upon it. Last month, FHA released its latest annual report on the fiscal health of the MMIF finding the Fund had a total economic net worth of $25.6 billion and the Capital Ratio that remains above the statutory minimum for a third straight year. Read more about FHA's FY2017 Annual Report.

"FHA can no longer tolerate putting taxpayers at risk by allowing obligations like these to be placed ahead of the mortgage itself in the event of a default," said U.S. Housing and Urban Development (HUD) Secretary Ben Carson. "Assessments such as these are potentially dangerous for our Mutual Mortgage Insurance Fund and may have serious consequences on a consumer's ability to repay, or when they attempt to refinance their mortgage or sell their home."

FHA is also very concerned about PACE obligations being placed on FHA-insured mortgages that are already outstanding. The post-endorsement placement of these assessments on an FHA-insured mortgage creates a lack of transparency making it difficult for the agency to understand the true nature of the risks involved. In addition, such activity is risky for FHA borrowers and potentially violates the terms of their FHA-insured mortgage. FHA intends to monitor this carefully to determine whether further action is warranted.

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HUD's mission is to create strong, sustainable, inclusive communities and quality affordable homes for all. More information about HUD and its programs is available on the Internet at www.hud.gov and https://espanol.hud.gov.

You can also connect with HUD on social media and follow Secretary Carson on Twitter and Facebook or sign up for news alerts on HUD's Email List.

FHA to no longer insure new mortgages with PACE loans

By Andrew Khouri

DEC 07, 2017 | 4:00 PM

The Federal Housing Administration will no longer insure new mortgages for homes with a type of loan that finances solar panels and other energy-efficient home improvements. (Irfan Khan / Los Angeles Times)

The Federal Housing Administration will stop insuring new mortgages on homes with PACE loans, a type of controversial financing used to fund energy-efficient home improvements.

The announcement Thursday follows criticism from consumer groups that too many borrowers have taken out unaffordable loans for solar panels and other projects after contractors misrepresented how the financing works.

In announcing the policy change, the FHA said PACE loans lack sufficient consumer protection and put taxpayers at risk. When a borrower with an FHA-backed mortgage is foreclosed upon, the portion of the PACE loan in arrears must be paid off first.

The remaining PACE loan transfers to the new buyer, but the FHA said that increases the likelihood the buyer will pay less, making it more difficult for the agency to meet its obligations.

"Assessments such as these are potentially dangerous for our Mutual Mortgage Insurance Fund," Housing and Urban Development Secretary Ben Carson said in a statement.

In a statement, Renovate America, the largest PACE lender, said that the policy change only affects a fraction of its business and that PACE borrowers do not default on their mortgages more frequently than those without a PACE loan.

First started in 2008, PACE, or Property Assessed Clean Energy, programs are typically established by local governments, which tie the privately financed loans to the home and allow them to be repaid as line items on property tax bills. The loans in California can also be used for items such as low-flow toilets that save water.

In Southern California, Los Angeles, Riverside, San Bernardino and San Diego counties have approved PACE lenders to operate.

California has taken steps recently to boost consumer protections.

In October, Gov. Jerry Brown signed two bills that, among other things, bar kickbacks to contractors who serve as sales people and include a first-time requirement that a borrower's income factor into underwriting.

The FHA now joins the Federal Housing Finance Agency, which has barred Fannie Mae and Freddie Mac from purchasing mortgages on homes with PACE loans.

Homeowners who already have an FHA-backed mortgage can still take out a PACE loan, but the FHA said it is concerned about that as well.

"FHA intends to monitor this carefully to determine whether further action is warranted," the agency said in a news release.