

Property Assessed Clean Energy

Board of Supervisors Update
April 2, 2013

Overview

- ▶ What is PACE?
- ▶ Benefits of PACE
- ▶ Assembly Bill 811 (2008)
- ▶ Federal Housing Finance Agency
- ▶ Senate Bill 555 (2011)
- ▶ Ygrene Energy Fund
- ▶ Program Formation
- ▶ Board Options
- ▶ Recommendation

What is PACE?

- ▶ Property Assessed Clean Energy
 - A program to provide up-front funding to eligible property owners to finance the installation of energy efficiency and water conservation improvements and renewable energy systems permanently attached to their property.
 - Improvements financed through a special tax or assessment on the property tax bill.
 - The program is 100% voluntary.

Benefits of PACE

Property Owners

- ▶ No upfront cost
- ▶ Potential utility bill savings
- ▶ Tax / Assessment transfers upon sale
- ▶ Increased property value
- ▶ Voluntary

Contractors

- ▶ More local jobs
- ▶ Program marketing provides customer lead generation

County

- ▶ Investment in local job creation
- ▶ No debt/credit risk (depending on model)
- ▶ Priority lien position creates secure financing mechanism
- ▶ Voluntary

Assembly Bill 811 (2008)

- ▶ Improvements financed through voluntary contractual assessment (non-valorem)
- ▶ Available to existing buildings only
- ▶ Financing up to 20 years
- ▶ County provides financing or owner arranged
- ▶ County run program
- ▶ Board of Supervisors discussed April 2010
 - AB 811 model not recommended by staff

Federal Housing Finance Agency

- ▶ May 2010 FHFA directed Fannie Mae and Freddie Mac not to purchase loans with PACE first priority liens
 - Effectively halted PACE programs
 - United States District Court directed FHFA to comply with the Administrative Procedures Act and conduct a formal Rulemaking Procedure
 - Uncertainty remains for PACE on most residential property until process concludes

Senate Bill 555 (2011)

- ▶ Improvements financed through voluntary special tax (ad valorem)
- ▶ Available to existing buildings and new construction
- ▶ Financing up to 20 years, based on useful life of improvement
- ▶ County opportunity to work with 3rd party private capital
- ▶ Program run by Ygrene



- ▶ Presentation to Board August 2012
 - Nationwide 3rd party PACE administrator
 - Utilizes SB 555 model
 - Provides “turn–key” program:
 - Program design
 - Implementation
 - Funding
 - Marketing
 - Contractor Certification
 - Administrative software
 - No cost to County
- ▶ No formal action taken
 - Counsel/staff to review program documentation and make a recommendation to Board before final conceptual approval

Program Formation

Board Meeting #1

- ▶ Approve district boundary map
- ▶ Adopt Resolution of Intent to form district
- ▶ Set public hearing (between 30–60 days)
- ▶ Adopt Ygrene contract

Board Meeting #2

- ▶ Hold public hearing, hear testimony
- ▶ Determine if majority protest exists, if not, proceed
- ▶ Adopt Resolution of Formation and Hearing Report
- ▶ Adopt bond validation authorization ordinance

Board Options

- 1) Do nothing.
- 2) Do nothing until federal lending concerns are resolved.
- 3) Move forward on a partial program for multi-family, commercial, industrial property only.
- 4) Move forward on a partial program for, multi-family, commercial, industrial & residential property backed by non-FHFA mortgages.
- 5) Move forward with complete program.

Recommendation

- ▶ Do not pursue AB 811 model PACE program
 - Resource intensive
- ▶ Establish SB 555 based program with Ygrene that legally permits both residential & non-residential properties to participate in the program, but requires the Board of Supervisors to affirmatively authorize Ygrene to begin including residential properties in the program
 - Staff will provide update to Board on FHFA rulemaking process prior to program launch