CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY

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PACE Informational Hearing
Assembly Committee on Local Government

PACE Loss Reserve Program Summary
March 19, 2014

Background

In July of 2010, the Federal Housing Finance Agency (FHFA) raised concerns regarding the effects of PACE liens on mortgages held by Fannie Mae and Freddie Mac. Due to these concerns, in August of 2010 Fannie Mae and Freddie Mac announced that they would no longer purchase mortgages for homes with first lien priority PACE obligations, leading many PACE administrators to suspend their residential programs.

In September of 2013, Governor Jerry Brown signed Senate Bill 96 into law, authorizing the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) to establish a PACE Loss Reserve Program (the Program) to address FHFA's financial concerns. This Program is designed to put first mortgage lenders in the same financial position they would have been in without the existence of a PACE loan.

Program Status

Program regulations were approved and filed by the California Office of Administrative Law on March 10, 2014, and CAEATFA is currently accepting applications from PACE programs. CAEATFA will continue to work with stakeholders during early implementation of the program to incorporate lessons learned or additional best practices in the regular rulemaking anticipated in the Fall.

Function of the Reserve

The PACE Loss Reserve will be used to make first mortgage lenders whole for any direct losses incurred due to the existence of a PACE lien on a property during a foreclosure or forced sale. The Loss Reserve will cover the following:

1. PACE payments paid while a first mortgage lender is in possession of a foreclosed home.
2. Any losses to the first mortgage lender up to the amount of outstanding PACE assessments in a forced sale for unpaid taxes or special assessments.

PACE programs will submit claims directly to CAEATFA, providing satisfactory evidence of an eligible loss including but not limited to the loss amount, the name of the first mortgage lender and the date of loss or losses. Payment from the reserve may be used as a reimbursement to the PACE program or as a pass-through to the first mortgage lender.

Coverage of PACE Loans by the Reserve

Each loan originated by an enrolled PACE Program and included in its semi-annual reports may be covered by the reserve for its full term. For existing PACE programs that apply by June 8, 2014, any outstanding loans at the time of enrollment may also be included at no charge. For PACE programs created after March 10, 2014, any loans originated within 30 days of enrollment may also be included at no charge.

Application to Participate

To apply, a PACE program will provide all of its standard formation documents, documentation showing that its terms meet the underwriting criteria described in regulation, information about the size of its portfolio, and detailed descriptions of transactional costs related to loan origination, quality assurance and consumer protection policies, and any credit enhancements used by the program.

Reporting and Adminstrative Fee

Enrolled PACE programs will report to CAEATFA on the size and status of their portfolios in March and October of each year. Each report will include detailed information on the loans issued during the reporting period . An administrative fee will be assessed on 0.25% of the total principal value of the loans issued during that period. The October report will also include information on the size and value of the cumulative loan portfolio, and information on energy and water savings resulting from the funded projects.

Funding Level

The program was funded with $10 million through the Budget Act of 2013. CAEATFA anticipates the $10 million to last beyond ten years in most scenarios. Even in very conservative scenarios with high PACE portfolio growth and enrollment, and high claim rates, the reserve is expected to last through the Program's eighth year. After a few years of operation, program staff should have a better understanding of actual PACE portfolio growth, performance and enrollment, as well as claim rates and amounts, to allow for more precise projections.

For more information on CAEATFA's PACE Loss Reserve Program,

visit: http://www.treasurer.ca.gov/caeatfa/pace/index.asp

or call (916) 651-8157.

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California
Alternative Energy and
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Financing Authority

Property Assessed Clean Energy (PACE) in California

Assembly Committee on Local Government
Informational Hearing
March 19, 2014

Agenda

- About CAEATFA
- Background on PACE
- PACE Loss Reserve Program Overview (residential)
- Current Program Status
- Questions

About CAEATFA

- **C**alifornia **A**lternative **E**nergy and **A**dvanced **T**ransportation **F**inancing **A**uthority (CAEATFA)

- Created in 1980 to provide credit support, access to low-cost financing through private activity tax-exempt bonds, loans, and other forms of financial assistance

- Was established to advance the state's goals of:
  - reducing greenhouse gas emissions,
  - increasing the deployment of sustainable and renewable energy sources,
  - implementing measures that increase the efficiency of the use of energy,
  - creating high quality employment opportunities, and lessening the state's dependence on fossil fuels.

About CAEATFA – Existing Programs

- PACE Loss Reserve Program – Residential
- Loan Loss Reserve for Residential EE and DG Improvements.
- Sales and Use Tax Exclusion
  - On manufacturing equipment for advanced manufacturers, and manufacturers of alternative source and advanced transportation products.
- Main State Issuer for Energy Related Bonds
  - Cogeneration Facility Bonds, Clean Renewable Energy Conservation Bonds (CREBS), Qualified Energy Conservation Bonds (QECB) (Over $212 million in bond debt)

California Alternative Energy and Advanced Transportation Financing Authority

About CAEATFA cont.

- CAEATFA Board Members
  - **Bill Lockyer**, State Treasurer and Chair
  - **John Chiang**, State Controller
  - **Michael Cohen**, Director, Department of Finance
  - **Dr. Robert Weisenmiller**, Chair, California Energy Commission
  - **Michael R. Peevey**, President, California Public Utilities Commission

California Alternative Energy and Advanced Transportation Financing Authority

What is PACE?

- Property Assessed Clean Energy (PACE) financing allows local governments to assist property owners with financing for renewable energy, energy or water efficiency, or electric vehicle charging infrastructure

- PACE programs may issue bonds or work with private lenders to provide financing

- The PACE loan is repaid through the borrowers/ property owner's property tax assessment for up to 20 years

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Background PACE Financing

- 3 types of PACE district:
  - Improvement Districts
    - AB 811 (Levine, 2008) – Streets & Highways Code
      - Modified the Improvement Act of 1911 to include PACE districts
  - Community Facilities Districts
    - SB 555 (Hancock, 2011) – Government Code
      - Modified the Mello-Roos Community Facilities Act of 1982
  - Districts created by charter cities
    - Charter cities may create PACE districts pursuant to their authority under Section 5 of Article XI of the California Constitution
      - The first PACE program was created by the City of Berkeley using its authority as a charter city in 2008
- PACE districts may be formed by local governments or by Joint Power Authorities (JPAs)

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Why PACE?

- Benefits to property owners:
  - Low-cost financing (typically around 7% APR).
    - PACE obligations have lien-priority over other voluntary obligations. The security provided by this priority allows PACE programs to offer favorable interest rates.
  - No money down
    - "Off Balance Sheet" for commercial property owners
  - Easily transferred to new property owner upon sale
    - Secured financing on title
  - Longer term allows retrofits to be paid off over their useful lives
    - Allows more substantial, whole-building, retrofits that often have longer payback periods
    - Improves cash flow

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Why PACE? (cont.)

- Benefits to Communities & State:
  - Reduced energy and water use
    - Energy efficiency measures and renewable energy installations reduce demand and the need to construct new power plants
    - Water efficiency measures help communities dealing with water shortages in addition to saving energy related to pumping and water treatment
  - Reduced carbon emissions and other air pollution
    - Help meet the State's aggressive climate and air quality goals
  - Creates local construction jobs

California Alternative Energy and Advanced Transportation Financing Authority

Challenges for PACE Financing

- Split-incentives for rental properties
  - Tenants save money on their utility bills, but property owners must pay for the improvements
- Actions of the Federal Housing Finance Agency (FHFA) related to residential PACE
- Other?

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Challenges for Residential PACE - FHFA

- In 2010, the Federal Housing Finance Agency (FHFA) raised concerns regarding the effect of residential PACE lien priority on mortgages backed by federal mortgage enterprises
  - FHFA instructed federal mortgage enterprises to adjust lending criteria and require PACE assessments to be extinguished before purchasing or issuing a mortgage
- In response, most PACE programs halted their residential financing
- The State and several other parties sued FHFA but the 9th Circuit Court of Appeals ruled in FHFA's favor in March 2013

SB 96 - PACE Loss Reserve Program

- In response to FHFA's concerns Senate Bill 96 (Committee on Budget and Fiscal Review, Chapter 356, Statutes of 2013) authorized CAEATFA to create:
  - "a PACE risk mitigation program for PACE loans to increase their acceptance in the marketplace and protect against the risk of default and foreclosure."
  - This program became known as the PACE Loss Reserve Program
- The Budget Act of 2013 allocated $10 million for the implementation of this program

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Program Development

- CAEATFA began working with stakeholders shortly after the enactment of SB 96
  - Initial Draft of Regulations – January 16, 2014
  - Public Workshop – January 24, 2014
  - Revised Draft of Regulations – February 3, 2014
  - CAEATFA Board Approval – February 18, 2014
  - Submission to the Office of Administrative Law – February 27, 2014
  - Regulations Effective – March 10, 2014

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Program Description

- The PACE Loss Reserve Program will compensate first mortgage lenders for losses resulting from the existence of a PACE lien in a foreclosure or forced sale.

- The reserve will cover:
  - PACE payments made during a foreclosure (while the first mortgage lender is in possession of the property)
  - Any losses to a first mortgage lender up to the amount of outstanding PACE payments when a county conducts a forced sale on a home for unpaid taxes

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Program Description

- PACE assessments are enrolled for their full terms
- PACE programs will pay a small administrative fee based on loan volume and report semi-annually.
- CAEATFA expects the $10 million allocated for the reserve to last beyond ten years

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Interest and Expected Activity

- Several existing PACE programs have expressed their intent to apply to participate in the PACE Loss Reserve
- Many local governments currently considering adopting a PACE program have also inquired about the program
- CAEATFA expects to see substantial enrollment in the program by late spring/early summer

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Partial List of PACE Programs in California

- Sonoma County Energy Independence Program (SCEIP)
  - Sonoma County
- MPower
  - Placer County
- LA County PACE
  - Los Angeles County
- GreenFinanceSF
  - San Francisco City/County
- Home Energy Renovation Opportunity (HERO)
  - Western Riverside Council of Governments (WRCOG)
  - Partnered with Renovate America (Residential) and Samas Capital (Commercial)
- California First
  - California Statewide Communities Development Authority (CSCDA)
  - Administered by Renewable Funding
- Clean Energy [Sacramento, Yolo, etc.]
  - Coachella Valley Association of Governments (CVAG), Sacramento, Solano, Yolo
  - Funded and administered by Ygrene
- Figtree Financing
  - California Enterprise Development Authority (CEDA)
  - Funded and administered by Figtree Financing

Questions?

California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA)

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California Alternative Energy and Advanced Transportation Financing Authority

- Creating jobs
- Saving energy
- Improving properties
- Lowering utility bills
- Reducing bureaucracy

California HERO Program: Guiding Principles

- Based on successful Program in Western Riverside County: ***<u>Proven track record of experience</u>***
- Regional / Statewide Program provides economies of scale
- Simplicity of use is vital for broad acceptance

- *<u>Summary</u>*: Avoid duplication of effort with a single program instead of multiple and costly individual efforts

  Provide a turnkey program at no cost to jurisdictions

Program partners

- Public Financial Management, Inc. – Financial Advisor
- Best Best & Krieger – Bond Counsel
- David Taussig & Associates – Assessment Administrator
- U.S. Bank / Deutsche Bank – Trustee
- Westhoff, Cone & Holmstedt – Placement Agent
- Renovate America – Residential Funding Partner
- Samas Capital – Commercial Funding Partner

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Benefits to property owners

- ✓ Provides access to financing that might not be available through traditional means such as equity loans, etc.
- ✓ Provides "no-money-down" approach to financing improvements
- ✓ Provides savings on utility bills
- ✓ Repayment stays with property (most cases)

Benefits to participating jurisdictions

- ✓ **Economy** Creates / maintains construction-related jobs
- ✓ **Energy** Reduces / delays the need for costly construction of energy generation / transmission facilities
- ✓ **Environment** Improves air quality and reduces greenhouse gas emissions
- ✓ **Financial** No local jurisdictional debt; funding is self-replenishing

Examples of eligible improvements

- Heating and air conditioning
- Cool roofs
- Natural gas storage water heater
- Tankless water heater
- Windows and glass doors
- Outside irrigation
- Insulation
- Window filming
- Home sealing
- Lighting control systems
- Solar thermal systems (hot water)
- Solar thermal systems for pool heating
- Photovoltaic systems
- Low flush toilets



Results in Western Riverside County (January 2012 thru March 2 2014)

Approved Apps: 14,300+

Approved Financing: $505,000,000 (residential program)

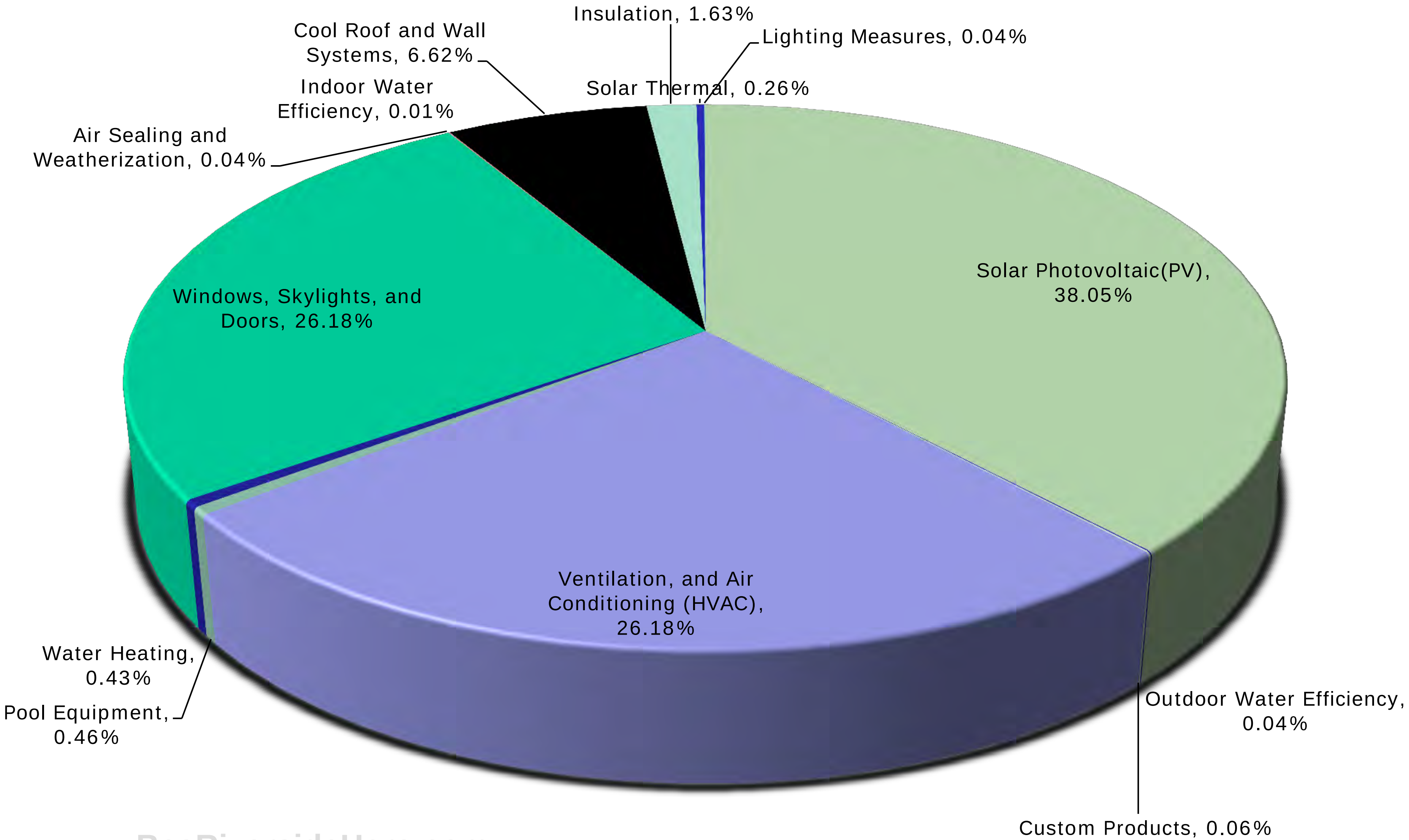
Commercial program just launching

Projects Completed: 7,500+

Projects Funded: $140,000,000+

Largest Program in United States

Types of projects being funded



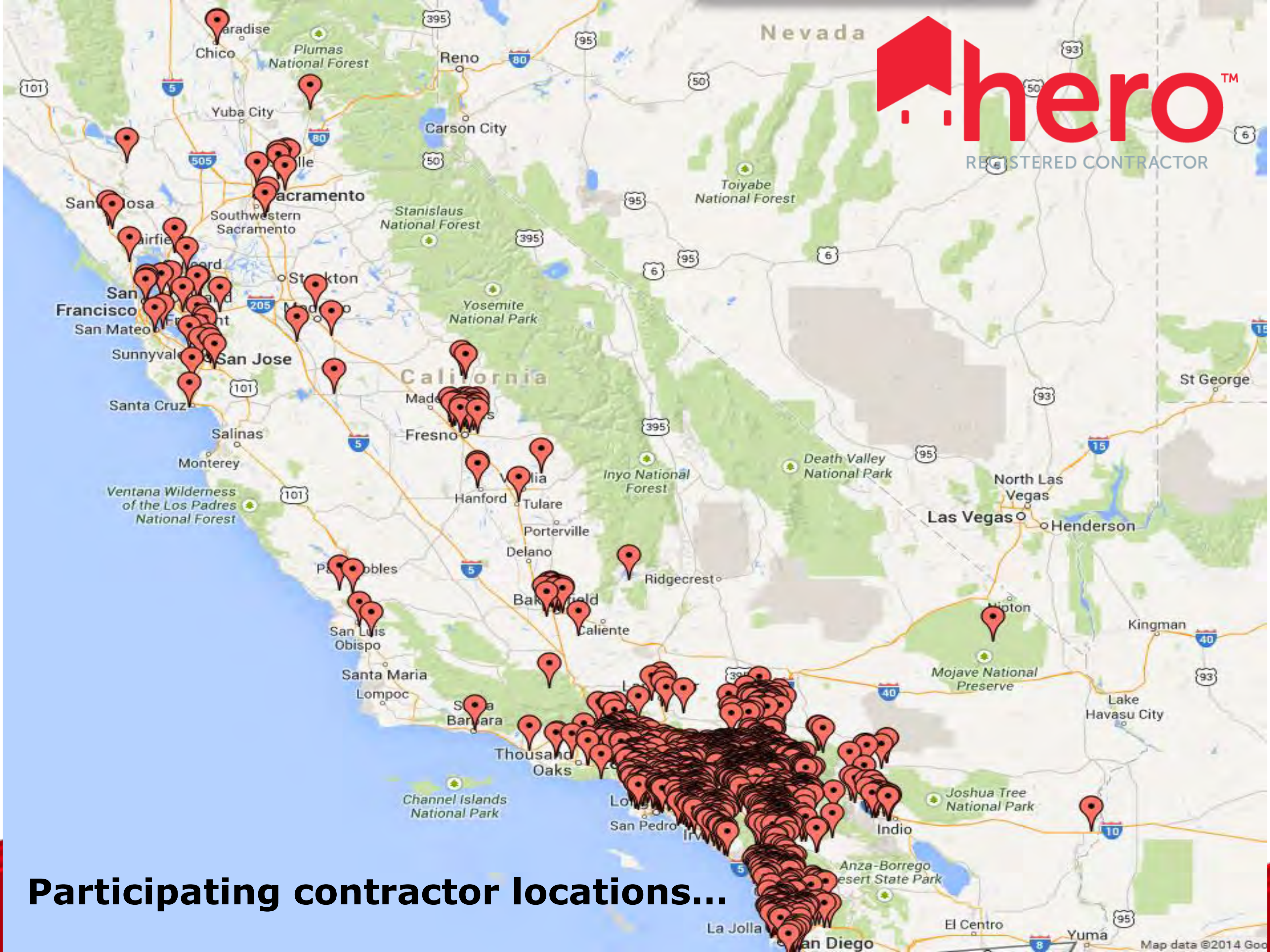
Economic and Energy Benefits	
KW Installed Solar	13.6 MW
kWh Saved - Annually	75 GW
kWh Saved over Life of Installed Products	1290 GW
GHG Reductions - Annually	19,127 Tons
GHG Reductions over life of Installed Products	334,163 Tons
$ Saved over Life of Installed Products	$306 Million
Projected Annual Economic Impact	$278 Million
Projected Annual Job Creation	1,361 Jobs

Contractors are key…

More than 1,300 participating in the Program

- Must have an active California State License Board (CSLB) license
- Must meet CSLB's bond and workers' compensation insurance requirements
- Must provide evidence of jurisdictional business license if no jurisdictional permit is required for project
- Must register on the website





Participating contractor locations...

Expanding the HERO Program Statewide

- Eliminates bureaucracy of developing another program from scratch
- 83 cities/counties have adopted Resolutions to Participate
- **Launched** in 16 cities in Fresno, Kern, Orange, and San Diego Counties
- **Launching** in 39 cities and/or counties in early March 2014
- Remaining 25 to launch throughout Summer and Fall of 2014
- Additional cities launch 5-6 months after they join

California HERO Program

Launched
Launching March 2014

Alhambra
Anaheim
American Canyon
Atwater
Azusa
Baldwin park
Bellflower
Bradbury
Brawley
Brea
Buena Park
Calistoga
Carlsbad
Carson
Citrus Heights
Claremont
Clovis

San Diego County (Com)
Covina
Diamond Bar
El Centro
El Monte
El Segundo
Fresno
Garden Grove
Gardena
Glendora
Hawthorne
Hermosa Beach
Industry
Inglewood
Irwindale
Kern County
La Canada Flintridge

La Palma
La Verne
Lawndale
Lemon Grove
Lomita
Monrovia
Montebello
Monterey
Monterey Park
Napa
Napa County
Newman
Newport Beach
Oceanside
Palmdale
Placentia
Pomona

Rancho Cordova (Com)
Rancho Palos Verdes
Ridgecrest
Rolling Hills
Rolling Hills Estates
Rosemead
San Dimas
San Gabriel
San Jose
San Marcos
San Marino
Santa Ana
Santa Monica
Scott's Valley
Solana Beach
Solano County
South El Monte

South Pasadena
Stanton
Taft
Temple City
Torrance
Tracy
Turlock
Tustin
Vista
Walnut
West Covina
Westminster
Yountville

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How do jurisdictions join the California HERO Program?

Step 1: Jurisdiction needs to adopt a Resolution of Participation to join California HERO Program

- Initiation of validation process
- Once the validation is complete, property owners can begin applying
- 3 – 4 months to launch

Step 2: There is no Step 2!

- Jurisdiction staff time requirements: Only related to normal permit processing

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To summarize: The California Hero Program…

- Expands on a proven and successful program
- Boosts the economy through job creation
- Saves energy and utility costs
- Reduces greenhouse gases
- Partners with the private sector
- Already has contractors familiar with the Program
- Requires no city/county staff or financial resources
- Has no liability for participating agencies
- Is *really easy* to join!



Questions?

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SCEIP Report Summary

March 19, 2014

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SCEIP Numbers

Annual Greenhouse Gas Emissions Reduction Summary for PACE Projects since March 2009

Therms saved	121,033
kWh saved	15,345,584
Greenhouse gas metric tons CO_2 saved	8,142 (equivalent to removing 1,700 cars off the road)
# solar installations completed	1,285
Annual Generation capacity of projects	9.2 MW

Job Creation Summary for PACE Projects since March 2009

# improvements completed by local contractors	2,648
% of improvements completed by local contractors	80%
# jobs retained/created	721 using the ARRA* formula
# local construction jobs retained/created	85

* ARRA: American Recovery and Reinvestment Act.

PACE Funding Summary since March 2009 Program Launch

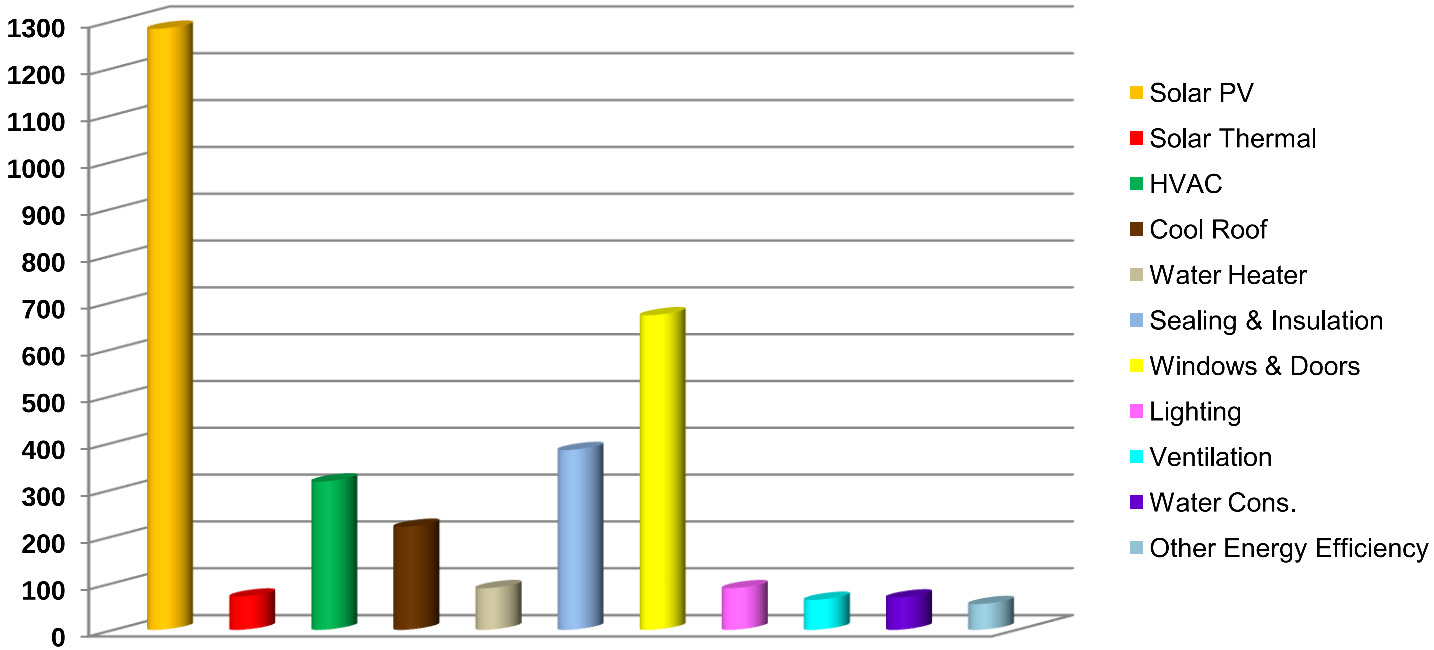
	# of Applications	Funding
Applications Received	2,844	$101,987,511
Applications Approved	2,209	$74,507,840
Projects Funded	2,041	$66,369,552
- Residential	1,980	$ 55.4 million ($28k average project)
- Commercial	61	$ 10.9 million ($179.4k average project)

Updated through February 2014

SCEIP Projects

Residential: 7.01 MW, 1239 systems, 6110 tons eCO_2 annual reduction

Non-residential: 2.18 MW, 46 systems, 1896 tons eCO_2 annual reduction



SCEIP Local Multiplier Effect

ENERGY INDEPENDENCE
A SONOMA COUNTY PROGRAM

$66 million

FINANCING

JOBS CREATED/RETAINED

721

IMPROVEMENTS BY LOCAL CONTRACTORS

80%

TOTAL LOCAL IMPACT

$83 million

Possible Legislative Actions

- Revise the language from the original SB 96 bill to eliminate the use of the word “loan” when referencing a PACE assessment or PACE lien.

- Allow the Statewide fund to include residential PACE projects that fund to up to 15% of the value of the property, instead of the current 10% value of the property.

SCEIP Monthly Report
February 2014

		Program Volume								Program Impact		Funded Improvement Volume					Funded Applications	
Fiscal Year	Month	Program Inquiries	Applications Received	Funding Requests	Applications Approved	Contracts Signed	Withdrawn, Denied, or Returned	Funding Available	Number of Improvements (Disbursed)	Local Jobs Created	ARRA Jobs Created	Energy	Water	Generation	Residential	Commercial	Residential	Commercial
2011-2012	July	290	9	$296,580	49	43	2	$15,927,075	82	1.5	15.8	42	1	39	82	1	45	1
	August	359	14	$373,308	19	30	8	$14,769,399	57	1.0	13.2	23	1	33	52	5	36	1
	September	237	8	$170,416	16	15	11	$13,988,550	69	5.4	33.4	31	0	38	68	1	47	0
	October	305	7	$528,613	7	9	0	$13,839,233	25	0.5	4.6	16	1	8	25	0	14	0
	November	183	21	$944,291	8	6	6	$13,540,453	40	1.3	6.9	31	0	9	38	2	16	2
	December	99	11	$278,553	15	16	0	$13,689,943	10	0.2	3.3	6	0	4	10	0	7	0
	January	103	13	$293,023	13	8	4	$13,863,366	18	0.2	2.1	13	0	5	18	0	9	0
	February	90	10	$320,781	5	10	14	$13,033,683	53	4.1	12.8	42	0	11	45	8	16	7
	March	116	7	$115,709	11	10	3	$13,941,876	20	0.3	1.5	17	1	2	20	0	7	0
	April	30	14	$300,376	13	8	8	$13,545,908	43	0.7	6.2	36	0	7	39	4	13	3
	May	105	14	$889,657	4	8	2	$13,605,335	17	0.3	1.7	15	0	2	17	0	5	0
	June	199	13	$356,997	14	12	2	$13,465,104	33	0.8	3.9	23	0	10	32	1	14	1
2012-2013	July	224	28	$831,286	14	9	7	$13,540,276	15	0.2	1.3	11	1	3	15	0	6	0
	August	247	43	$1,240,386	28	26	3	$13,310,549	8	0.4	6.0	4	0	4	7	1	6	1
	September	167	18	$578,748	11	19	4	$13,884,527	37	0.6	4.9	30	0	7	36	1	14	1
	October	207	24	$962,901	24	18	4	$14,004,064	18	0.3	3.1	11	0	7	18	0	10	0
	November	180	20	$577,487	20	15	3	$13,528,679	53	0.8	9.1	30	0	23	53	0	30	0
	December	158	35	$1,075,617	24	23	10	$13,305,803	21	0.4	5.4	8	0	13	21	0	16	0
	January	114	17	$453,338	19	25	8	$13,189,013	19	1.4	4.7	9	0	10	18	1	12	1
	February	78	35	$1,032,269	22	15	9	$13,118,832	41	0.5	5.8	25	0	16	41	0	21	0
	March	161	28	$865,106	28	30	11	$13,644,670	28	0.5	7.4	8	0	20	28	0	22	0
	April	237	30	$753,258	25	22	14	$13,331,698	29	0.4	6.7	11	0	18	29	0	19	0
	May	215	10	$352,130	12	16	12	$13,017,984	72	1.2	8.6	50	1	21	72	0	26	0
	June	220	13	$318,932	11	9	1	$12,832,529	34	1.3	5.5	18	0	16	33	1	17	1
2013-2014	July	196	14	$357,245	11	13	3	$13,302,883	33	0.0	5.2	15	5	13	33	0	17	0
	August	117	18	$597,479	15	16	6	$12,820,759	19	0.4	6.8	2	0	17	17	2	17	1
	September	186	27	$829,188	16	10	2	$13,653,702	18	0.3	2.6	12	0	6	18	0	10	0
	October	139	22	$479,829	22	21	2	$13,651,427	35	0.6	4.5	26	2	7	36	0	12	0
	November	145	20	$463,314	15	17	4	$13,563,284	26	0.4	3.6	18	0	8	26	0	12	0
	December	147	10	$221,608	18	18	6	$13,862,852	22	0.5	3.9	15	0	7	22	0	12	0
	January	198	11	$300,873	11	8	3	$14,025,049	19	0.4	3.7	10	0	9	20	0	12	0
	February	118	9	183,647	9	8	2	$13,568,544	33	0.4	5.0	17	0	16	33	0	20	0
Program to Date		29,870	2,844	$101,984,511	2,209	2,141	709	$14,025,049	3,312	84.6	721.4	1,951	70	1,289	3,217	98	1,980	61

NOTE: Program Impact and Improvement Volume figures reflect activity that ACTUALLY occurred the month prior, but were disbursed (funded) the month stated

3/4/14, EP

SCEIP Monthly Report
February 2014
INTERNAL USE ONLY

ENERGY INDEPENDENCE
A SONOMA COUNTY PROGRAM

Fiscal Year	Month	Applications Received	Funding Requests	Bonded Amount	Net Bonded	Debt Service	Funding Available
2011-2012	July	9	$296,580	$1,455,785	$1,233,162		$15,927,075
	August	14	$373,308	$1,211,962	$1,157,676		$14,769,399
	September	8	$170,416	$3,074,916	$2,812,270	$490,202	$13,988,550
	October	7	$528,613	$420,003	$149,317		$13,839,233
	November	21	$944,291	$636,121	$298,780		$13,540,453
	December	11	$278,553	$300,092	($149,490)		$13,689,943
	January	13	$293,023	$189,892	($173,423)		$13,863,366
	February	10	$320,781	$1,175,584	$829,683		$13,033,683
	March	7	$115,709	$134,458	($178,725)	$729,468	$13,941,876
	April	14	$300,376	$569,021	$395,969		$13,545,908
	May	14	$889,657	$159,553	($59,427)		$13,605,335
	June	13	$356,997	$354,389	$140,231		$13,465,104
	FY TOTAL	141	$4,868,304	$9,681,777	$6,456,022	$1,219,670	
2012-2013	July	28	$831,286	$118,794	($75,172)		$13,540,276
	August	43	$1,240,386	$550,594	$229,727		$13,310,549
	September	18	$578,748	$451,018	$157,639	$731,617	$13,884,527
	October	24	$962,901	$289,534	($119,538)		$14,004,064
	November	20	$577,487	$833,109	$475,386		$13,528,679
	December	35	$1,075,617	$500,625	$222,876		$13,305,803
	January	17	$453,338	$430,940	$116,790		$13,189,013
	February	35	$1,032,269	$529,749	$70,181		$13,118,832
	March	28	$865,106	$677,842	$258,353	$784,191	$13,644,670
	April	30	$753,258	$617,458	$312,972		$13,331,698
	May	10	$352,130	$787,731	$313,714		$13,017,984
	June	13	$318,932	$509,937	$185,455		$12,832,529
	FY TOTAL	301	$9,041,458	$6,297,331	$2,148,383	$1,515,808	
2013-2014	July	14	$357,245	$480,561	($470,354)		$13,302,883
	August	18	$597,479	$629,792	$482,125		$12,820,759
	September	27	$829,188	$240,354	($53,436)	$779,508	$13,653,702
	October	22	$479,829	$410,467	$2,276		$13,651,427
	November	20	$463,314	$327,664	$88,143		$13,563,284
	December	10	$221,608	$362,267	($299,568)		$13,862,852
	January	11	$300,873	$336,460	($162,196)		$14,025,049
	February	9	$183,647	$456,505	$307,858		$13,568,544
	FY TOTAL	131	$3,433,182	$3,244,069	-$105,154	$779,508	
	Program to Date	**2844**	**$101,984,511**	**$66,369,552**	**$52,099,127**	**$4,275,099**	**$14,025,049**

Presenting mPOWER Placer, an AB811 financing program helping local property owners install energy and water efficient improvements.

PLACER COUNTY INTRODUCES A NEW SHADE OF GREEN.

mPOWER

money for

Property

Owner

Water and

Energy efficiency

Retrofitting

mPOWER

What is PACE?

Property Assessed Clean Energy

PACE is a financing option that allows property owners to install energy efficient retrofits and alternative energy generation equipment, such as solar, on residential and non-residential buildings.

Repayment is made on the property tax bill.

Program Goals

mPOWER

- Increase energy efficiency and water conservation
- Decrease property owner utility costs
- Increase energy independence
- Create jobs & increase investment in the local economy
- Reduce greenhouse gas emissions

PACE Legislation

AB 811 & SB 555 authorize cities and counties to develop financing programs to provide property owners financing for energy and water conservation improvements and energy generation to new and existing structures which can be repaid on their property tax bill.

mPOWER

AB811

AB811- Amended Streets & Highways Code:

- Voluntary Contractual Assessment
- Allows non-contiguous parcels
- Declares Energy Efficiency & Renewables of Public Benefit
- Improvements on private property
- Specifies PACE program requirements

AB474

AB474 – amended Civil Code and Streets & Highways Code

- Officially declared water conservation measures to be included
- Required notice to electric and water utility providers for AB811 programs
- Authorized PUDs to implement PACE

SB555

mPOWER

SB555 – Amended Government Code (Mello Roos/Community Facilities District financing)

- Authorizes use of CFDs (Mello-Roos) structure for PACE for all local agencies (previously only charter cities)

SB 77 – Originally intended to provide a PACE Bond reserve fund for investors, restructured for private sector financing

SB 96 - establishes PACE Loss Reserve Fund

- to protect mortgage lenders from losses caused by defaulted PACE liens
- Administered by CAEATFA

mPOWER History

- March 2010 - Launched residential & non-residential programs
- July 2010 – FHFA statement issued
- August 2010 – Suspended residential program
- September 2010 – joined Sonoma County suite against FHFA
- August 2012 – Court orders FHFA to commence Administrative Procedures Act procedures
- October 2013 – Court rules in favor of PACE stating FHFA acting in regulatory role cannot issue statement w/o rulemaking
- March 2013 - 9th Circuit Court of Appeals rules in favor of FHFA

mPOWER History

- Administrative remedies are ongoing to reach a satisfactory resolution with FHFA
- Sonoma SCEIP continued without consequence
- HERO launches residential without consequence
- Spring of 2013 - Placer reevaluates risks related to responsible/prudent programs
- **July 2013 - Placer resumes residential program**

mPOWER Jurisdictions

- Placer County (unincorporated area)
    - Roseville
    - Rocklin
    - Lincoln
    - Loomis
    - Auburn
    - Tahoe
- In Sacramento County
    - Folsom (3/17/14 launch of SB555 program)

mPOWER Placer

2 Investor Owned Utilities
- PG&E
- Southwest Gas & Liberty Energy

2 Municipal Utilities
- Roseville Electric
- SMUD

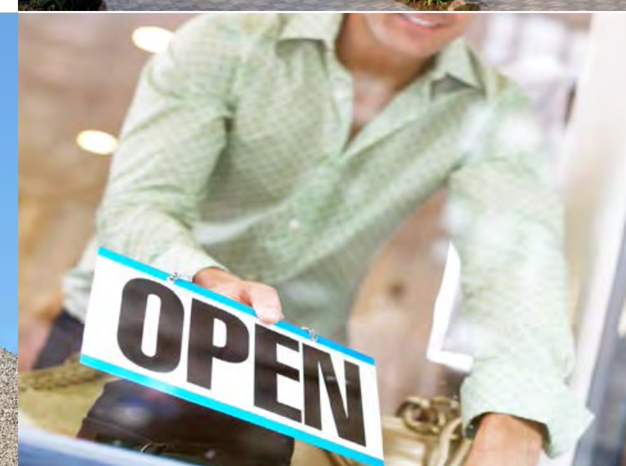
2 Climate Zones
- Valley/Foothill
- Tahoe/Sierra

Suburban/Rural

mPOWER Placer

All properties that receive a property tax bill are eligible.

- Residential
- Commercial
- Industrial
- Agricultural



www.mpowerplacer.org

Eligible Improvements

Property Owner Benefits

- No up front costs
- Improved net operating income for businesses
- Increased property value
- Improved tenant relations
- Completely voluntary
- Repayments made on property tax bill
- Lien stays with the property until paid

Assessment Financing Terms

- Interest rate is 6%
- Property tax lien repayment period 5, 10, 15 or 20 years, based on the life of the improvement
- Amount financed cannot be less than $2,500

Save Money

- Non-residential property owners are looking at energy savings as a tool for increasing profit margin.

- PG&E territory property owners face a proposed increases in energy costs over the next three years.

ROI - Case Study

Return on Investment 0n PSG Solar Array

Total Cost(13.8 kw DC)	$72,000 ($5.21/watt)
Less: Federal Tax Credit	(21,600)
Less Present Value of Performance Based Incentives (Utility Co)	(18,699)
Less: Present Value of Depreciation Tax Benefits	(25,424)
Net Cost Before Utility Savings and Financing Expense	$ 6,277
Estimated Utility Savings Per Year	$3,201
(System life = 20-25 years, no inflation on utility rates)	
Payback years for Initial Investment without financing	1.96 years

PSG Tax Credits Group, Joseph Abdallah CPA (916) 791-3120

Lender Safeguards

- Priority Lien
  - Subordination is not required
  - Collection enforcement only on amounts in arrears
- Lender consent required for non-residential
- Property cannot be “under water”
- Funds are not disbursed until proper installation is verified
- Impound accounts can be increased to cover the assessment

Program Statistics

- Applications Received 373 $18.4 million
  - Residential 355
  - Non-residential 18
- Applications Approved $ 8.5 million
- Applications Funded $ 5.5 million
- Contractors with Funded or Active Applications 87
- Jobs created 110*

*American Council for an energy-Efficient Economy (20 jobs/million)

Installations

Improvements Financed:

• Solar	179
• HVAC	57
• Windows/doors	22
• Insulation	15
• Water Heater	13
• Pool Equipment	11
• Water	8
• Roof	7
• Lighting	2
• Wood Stove	1

Barriers/Challenges

FHFA Cloud

- Lenders
- Property Owners
- Municipal Bond Buyers

Opportunities

- PACE Loss Reserve Program
- Bond Reserve
- Legislation

Legislative Proposals

- Increase maximum financing amount from 10% to 15% of value
- Allow AB811 (assessment) programs parity with SB555
  - “new construction…by intended owner or occupant”.
  - refinancing of improvements
  - refinance outstanding bonds
- Reduce AB811 administrative costs by allowing notice and contract to be combined into a single document.
- Allow parcel identification by assessment number (not legal description)
- Allow variable rate interest on non-residential properties
- Allow up to 2 years of capitalized interest on non-residential properties
- Eliminate notice to utilities for AB811 programs

Questions

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