# PROPERTY ASSESSED CLEAN ENERGY (PACE)

CITY COUNCIL MEETING – JUNE 6, 2017



## WHAT IS PACE FINANCING?

- Loan for energy efficiency, water efficiency, renewable energy, and seismic retrofits
- Special assessment that is repaid with property tax bill; takes "senior" position to other loans
- Stays with the property
- Interest rates and term of loan can vary



## ENERGY EFFICIENCY FINANCIAL INCENTIVES

- State rebates (Energy Upgrade CA)
- Tax incentives
- Utility rebates
- In Sunnyvale
  - Energy Efficiency
     Matching Grant Program
  - Housing Rehabilitation
     Loan Program





## HOW PACE WORKS

- Decides to implement project(s)
- Hires contractor and agrees to PACE financing
- Pay special assessment with property taxes

Property
Owner

Contractor
affiliated
w/PACE
Program

- Markets program and facilitates application process
- Completes work under contract with property owner
- Works with PACE provider to finance project

County
Tax
Collector

PACE Provid<u>e</u>r Local jurisdiction "sponsors" program by adopting resolution and joining the JPA

- Issues bonds to finance projects
  - Pays contractor
  - Coordinates placement of property assessment on tax bill

Collects special tax assessment

 Remits collected assessment to PACE Provider

## **CUSTOMER RISKS**

- Federal Housing Finance Agency position:
  - PACE type assessments pose unusual and difficult risk management challenges for lenders, servicers and mortgage securities investors
- Freddie Mac and Frannie Mae will not purchase mortgages subject to PACE obligations that provide First Lien priority
- Property owners may have to pay-off assessment at time of resale or refinance
- Contractual subordination of assessments may be acceptable to some lenders

# PROPOSED SUNNYVALE OPERATING CONDITIONS

- Offer Contractual Subordination
- No penalties for early pay-off
- Disclosure of mortgage risks and FHFA position
- Signed ABAG Regional Agreement

## ABAG REGIONAL COLLABORATIVE SERVICES **AGREEMENT**

Ensures consistent application of key programmatic elements important to local governments

#### **Consumer Protections**

- Contractor and project quality assurance
- Specifies certain disclosures

## **Local Government Transparency**

- Indemnifications
- Performance tracking, data, and reporting
- Co-marketing of programs





## PACE PROGRAM ADMINISTRATORS

- Several program administrators
- Serve residential, commercial, or both
- Partnered with different JPAs









### RECOMMENDATION

#### That City Council:

- (I) Approve the proposed operating conditions and establish these conditions as requirements for PACE providers to operate in Sunnyvale
- (2) Authorize the City Manager to execute the Adoption of the ABAG Regional Collaborative Services Agreement
- (4) (7) Adopt resolutions and execute documents to sponsor FigTree, Ygrene, and CSCDA OpenPACE (for providers that sign LOA and ABAG Regional Agreement)
- (8) Find that actions are exempt from CEQA