

# PACE and Beyond

Steve Frenkel | March 22, 2011

RENEWABLE  FUNDING



## Clean Energy Program Services:

❖ Program Design

❖ Program Administration

❖ Financing

❖ Technology

“

We are going to make it a lot easier to borrow money. We are doing this by encouraging communities to give you the option to pay the expense of retrofitting your home by paying it back on your property taxes.

”



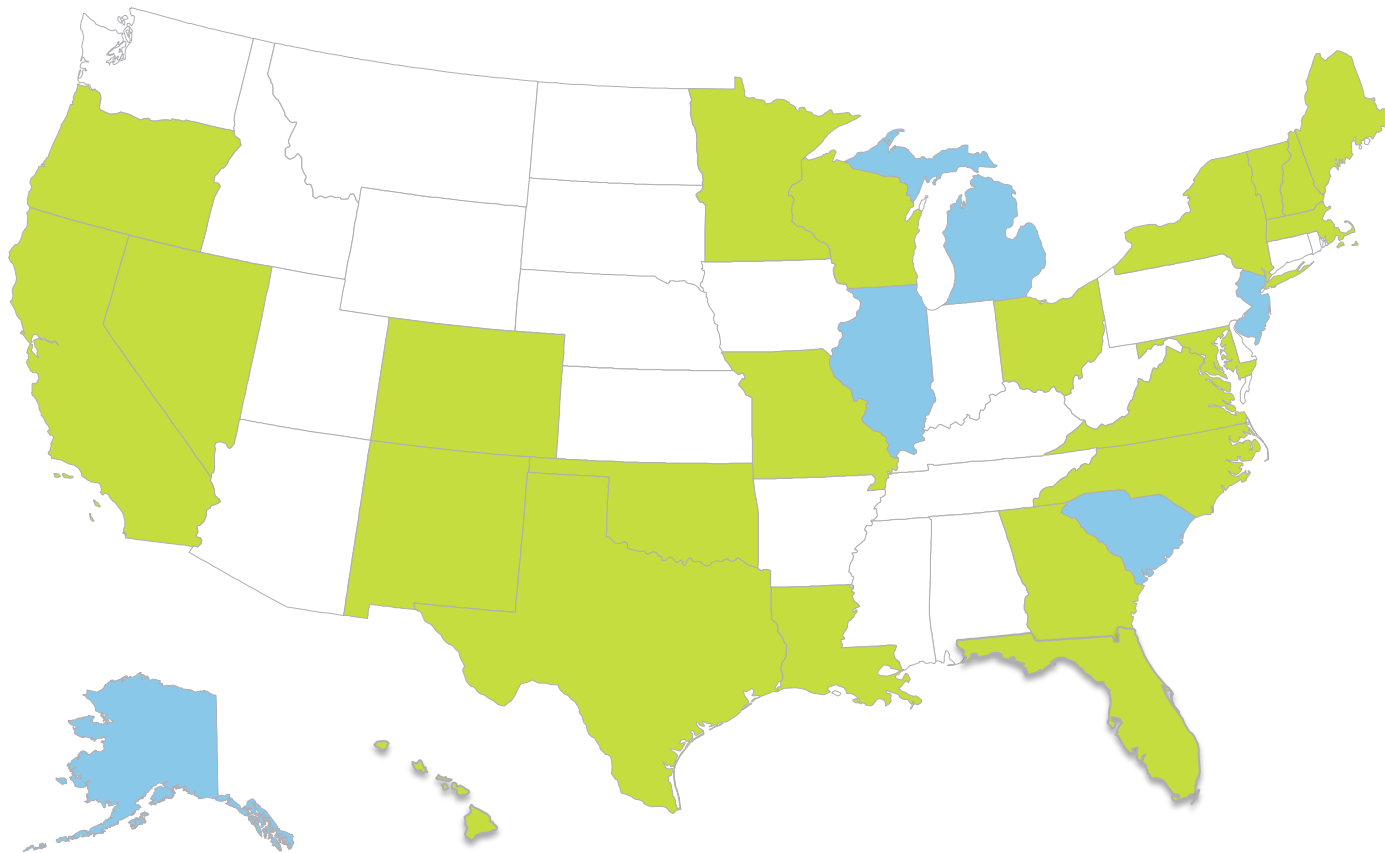
# PACE Financing in Brief

- ❖ Overcomes barrier of initial cost & longer-term payback
- ❖ Allows property owners to finance energy efficiency & renewable energy improvements to their home or commercial building
- ❖ Uses familiar and widely adopted structure of “land-secured financing districts”
- ❖ Property owners repay the amount financed as a line item – a special assessment – on their property tax bill
  - Special assessments repaid up to 20 years
  - Senior lien placed on property to secure assessment/tax payments
  - Repayment obligation transfers to new property owner upon sale

# National PACE Policy

23 States Have PACE Authority

5 States Have PACE Legislation Pending



# FHFA/Fannie Mae PACE Activities

- ❖ September 2009: Fannie Mae lender letter
  - Reviewing underwriting guidelines for PACE; Until guidelines are issued, treat payments as a special assessment
- ❖ May 2010: Fannie Mae lender letter
  - PACE “loans” and promise to issue additional guidance and work with federal and state agencies, while “preserving the status of mortgage loans originated as first liens”
- ❖ July 2010: FHFA guidance letter
  - “Safety and soundness concerns”
  - Violation of Uniform Security Instrument
  - Reduce loan amount by potential PACE amount
- ❖ August 2010: Fannie Mae lender letter
  - PACE “loans” prior to July 6<sup>th</sup> must be paid off at time of refinance
  - “Fannie Mae will not purchase mortgage loans [with PACE debt] unless the terms of the PACE program do not permit priority over first mortgage liens.”

# Federal Engagement / Negotiations

- ❁ October 2009: White House led interagency working group
  - Result: White House Policy Framework for PACE
  - Release of DOE/ARRA Funds for PACE programs
- ❁ Spring 2010: Renewed discussions regarding PACE guidelines and pilots
  - Result: May 5<sup>th</sup> Fannie Mae/Freddie Mac letters and July 6<sup>th</sup> FHFA/FDIC/OCC letters
- ❁ July 2010: Congressionally led PACE discussions with FHFA and other regulators
  - Result: FHFA sent a letter to Members of Congress breaking off talks.

# Litigation & Legislation

## ✿ California Files Suit

- *People of the State of California vs. Federal Housing Finance Agency* (Filed July 14, 2010)

## ✿ Additional lawsuits announced by Babylon, NY; Sonoma County, CA, Leon County, FL; and Sierra Club

## ✿ PACE Assessment Protection Act

- HOUSE: HR 5766 (Thompson); 48 co-sponsors
- SENATE: S 3642 (Boxer); 5 co-sponsors

*“To ensure that the underwriting standards of Fannie Mae and Freddie Mac facilitate the use of property assessed clean energy programs to finance the installation of renewable energy and energy efficiency improvements.”*

## ✿ Legislation would require Fannie Mae and Freddie Mac to issue PACE underwriting standards that are consistent with US DOE guidelines

# Illinois PACE Bill

- ✿ HB28: Rep. Lou Lang (lead sponsor), Patrick J. Verschoore, Elaine Nekritz, Karen A. Yarbrough, Dave Winters, Sara Feigenholtz and Marlow H. Colvin
- ✿ Status: 3/17/11 Re-referred to Rules Committee
- ✿ Bill Summary:
  - Allows counties and municipalities to establish 'green special service areas', issue associated bonds and impose special assessments
  - Allows IFA to purchase special service area bonds (aggregation)
  - Allows property owners to obtain financing for clean energy improvements through the green special service area bonds
  - Allows for collection of special assessments through property taxes
  - Applies to both residential & commercial properties
  - RF suggests pursuing a commercial-only bill until federal issues resolve (i.e. MI)



# Alternatives to Residential PACE

## ❁ Develop alternative financing options for residential

- Unsecured financing (personal credit based)
- Secured financing (such as a home equity loan or HUD Title 1)
- On-bill financing (utility bills)
- Other new structures?

## ❁ Competitive marketplace for financing

- Multiple cities/states pursuing

## ❁ Commercial PACE

# Current PACE Commercial Programs

Program	Total Number of Projects	Total Value of Projects in Pipeline	Average Project Size	Interest Rate	Term (in years)	Source of Funding
<b>Sonoma</b>	37	\$7.27M	\$196K	7%	Up to 20 years	Municipal Funds
<b>Boulder</b>	28	\$1.52M	\$51K	3.04% * 4.92%	5 * 10	Moral Obligation/QECB Bond Issuance
<b>Placer</b>	8	\$1.12M	\$139K	7.25%	Up to 20 years	Municipal Funds
<b>Palm Desert</b>	5	\$633K	\$127K	7%	Up to 20 years	Municipal Funds

# Energy Upgrade California



- ❁ One Stop Shop for all Clean Energy Services
  - On-line Property Analysis Tool
  - Contractor Marketplace
  - Rebates and Incentives
  - Financing Marketplace



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Steve Frenkel | [steve@renewfund.com](mailto:steve@renewfund.com) | (312) 590-8888