



#140930F

Property Assessed Clean Energy

Alachua County
Office of Sustainability

What is PACE?

- Property owners (residential or commercial) apply to a PACE program for capital to fund a retrofit to their building.
- Approval is based on fiscal soundness, a projected SIR of 1+, and other criteria.
- The funds are repaid with their property taxes to the lender, via the tax collector and property appraiser.
- A tax lien is placed for the total cost of the project—a non-ad valorem special assessment.
- The repayment term extends up to 20 years with an average interest rate of 7%.

Who Runs PACE?

- Each PACE program is associated with a special district, similar to a community development district. In Florida, all major programs are private–public partnerships, with a private-sector “third party administrator” (TPA).
- The TPAs get the funds from large banks, investment groups, or government grant programs.
- Unlike other states, there is no statewide or legislature-created PACE program.

Why PACE?

- Any opportunity to finance clean energy helps to reduce the burden of energy consumption and GHG emissions on communities.
- However, any PACE program needs to reflect the economic needs of the community. Not all PACE programs are created equal.
- Alachua County's goal of economic sustainability means that we need to be sure jobs are created and maintained in the community.

Addressing the FHFA Issue

- Analysts say that **strict underwriting standards and involvement of lenders** are key to appeasing Fannie's and Freddie's concerns.
- Most significant risk to property owner is in case of resale, when benefit of "passing on" the assessment may not be realized.
- As the PACE statute does not require **warning to or acknowledgement by the property owner** regarding the risks, the PACE provider must do so.

Addressing Legal Issues

- **Myth:** Property owners may not pay off the assessment early.
- **Fact:** All programs allow property owners to pay the remaining “balance” on the assessment early—but it must be repaid in full to remove the tax lien.
- **Myth:** Property owners using PACE will not be able to sell their homes.
- **Fact:** Unfortunately, FNMA and FHLMC’s servicers are prohibited from lending to PACE-assessed properties, effectively requiring property owners to repay early. However, FHA and VA loans may be applied to PACE properties under new federal guidance.



Accomplished to Date

- Gathered information on and had conversations with PACE vendors.
 - Requested Letters of Information from vendors via official procurement documents.
 - Requested that vendors complete application.
- Determined critical parameters, significant service offerings, and any disqualifying characteristics of available vendors.
 - divided into Critical and Important
- Assessed suitability/viability of vendors' offerings.

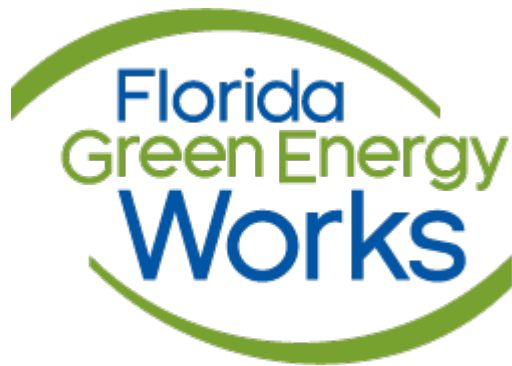
Vendor Snapshot

	Ygrene	EcoCity
Engagement of Existing Lender (Consent Provision)	30-day notice; seeks consent as needed for encumbered properties	Seeks consent for commercial properties
Local Government Cooperation and Limited Liability	Via piggybacked administrative agreement with Ygrene and interlocal agreement among "corridor"	Via "party membership" in Florida Green Finance Authority and administrative agreement held by district
Credit Approval / Equity Provisions	Project value capped at 10 % of property's just value / 15% of market value Total debt on property not to exceed 90% of fair market value	PACE projects capped by total equity held in property Additional underwriting standards determined by capital provider / bank
Interest rate	4.7% for 5 year assessments 5.7% for 10-year assessments 6.7% for 20-year assessments (3 choices for terms)	Rate determined by capital provider / bank, but generally 4.5% - 7% (may specify any number of years between 1 and 20)
Funding (in order of priority and availability)	<ol style="list-style-type: none"> 1. Ygrene Energy Fund 2. Bond capacity of \$500 million 3. Partnerships with financial institutions 	<ol style="list-style-type: none"> 1. Partnerships with financial institutions 2. Bond capacity of \$2.5 billion 3. Emerging: bond purchase agreement pending

Addressing Vendor Issues

- **Myth:** All the PACE programs are fighting and litigating against one another.
- **Fact:** Each program has filed the necessary bond validation suit, and several filed amicus briefs on behalf of the appellee in the Florida Bankers suit against an emerging PACE provider.
- **Myth:** PACE works best with one program that is uniform and statewide.
- **Fact:** Unlike other states, there is no statewide program; there *are* programs that have statewide bond validation. Moreover, having multiple vendors operate helps PACE serve different property owners. The uniformity is upheld by the “NAVA” collection method that all programs use.

PACE Vendors



- Florida Green Energy Works has financed the largest PACE project in Florida, for \$2.25 million.
- Administered by EcoCity Partners, L3C
- Florida Green Energy Works is a project of the **Florida Green Finance Authority**, which is judicially validated for \$2.5 billion.

Setting Up PACE with EcoCity

- An interlocal agreement is being negotiated to include the County (and its municipalities) as party to the Florida Green Finance Authority, an independent special district.
- A representative of the County (a Commissioner) will be selected to sit on the Authority's Board.
- The County Commission passed a resolution (Dec. 8, 2015) affirming the creation and purposes of PACE entities such as the Florida Green Finance Authority.



- **Highlights of EcoCity's Response:**
 - Florida Green Energy Works is expanding to include residential properties with its newly validated bond capacity.
 - EcoCity plans to work with local banks and credit unions as well as national capital providers to fund projects.
 - Renewable energy credits may be retained by the property owner per contract.

PACE Vendors



- As of Oct. 2015, Over 500 residential projects for over \$14.3 million
- 12 commercial projects for over \$2.3 million
- First Florida PACE provider to fund a PACE project.
- Over \$100 million secured capital.
- Relationships with major financial institutions to fund projects; bonds then aggregated and sold to investors

Setting Up PACE with Ygrene

- An interlocal agreement was signed upon approval by the Clean Energy Green Corridor. A representative of the County (a Commissioner) will sit on the district's board.
- The County Commission passed a PACE resolution on Dec. 8, 2015 affirming the creation and purposes of the Green Corridor and PACE entities like it.



- **Highlights of Ygrene's Response**
 - Green Corridor has statewide validation and Alachua County may use its bond capacity without incurring separate debt.
 - Significant project uptake in Green Corridor's jurisdictions.
 - Alachua County **may not** specify its own project value limitations, property value or equity requirements, or funding ratios.
 - The County **may** implement its own version of "Rights and Responsibilities" to the property owner.

Alachua County's Priorities

PACE Vendors/ TPAs should...

- Provide **flexibility yet protection for property owners**
- Have **validated bonds**
- Show **experience and knowledge** in clean energy financing
- Provide **full-service administration**, including training and orientation for local governments
- Emphasize **local markets** while utilizing **regionally derived pools of capital**

Questions?