



# California Statewide PACE Symposium

## State & Federal PACE Policy

# Agenda

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- ▶ Overview of State Energy Goals
- ▶ Introduction to California Alternative Energy & Advanced Transportation Financing Authority (CAEATFA)
- ▶ Background on CA PACE Support
- ▶ CAEATFA Loss Reserve Program Overview (residential)
- ▶ Key Policy Issues Today
- ▶ Questions

# California has significant energy reduction goals

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- Reducing greenhouse gas (GHG) emissions through policies, planning, direct regulations, market approaches, incentives and voluntary efforts.
- Assembly Bill 32 requires California to **reduce its GHG emissions** to 1990 levels by 2020 — a reduction of approximately 15 percent below emissions expected under a “business as usual” scenario.
- Assembly Bill 758 recognizes the need for California to address climate change through **reduced energy consumption in existing buildings** (residential, commercial, and public).
- Governor Brown’s 50/50/50 Plan will **increase renewable energy procurement, reduce petroleum use, and increase existing building efficiency**

Private capital investment will be crucial to meeting energy reduction goals...  
and the market need of over \$4 billion per year.

# Meet CAEATFA

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- Housed within the State Treasurer's Office
- Board of five:
  - State Treasurer
  - State Controller
  - Director of Department of Finance
  - President of the CA Public Utilities Commission
  - Chair of the CA Energy Commission
- Uniquely positioned at the intersection of state energy and finance policy since the 1980s.
- Develops market-driven financial assistance programs to support the State's energy and environmental policy goals.



# About CAEATFA – Existing Programs

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- ▶ **California Hub for Energy Efficiency Financing – \$65 million**
  - ▶ Pilot collaboration with PUC, IOU, Lenders & Contractors -- Standardized open market platform for unsecured products in residential, multifamily and commercial sectors
  - ▶ \$30 million in credit enhancement, \$10 million in education, outreach and marketing funds
  - ▶ On-Bill Repayment, Leverages Existing IOU infrastructure and Programs
  - ▶ Project Quality Assurance and Contractor Management
  - ▶ Centralized database that includes financing and actual energy savings
- ▶ **Residential PACE Loss Reserve -- \$10 Million**
- ▶ **Sales and Use Tax Exclusion - \$100 million annually**
  - ▶ On manufacturing equipment for advanced manufacturers, and manufacturers of alternative source and advanced transportation products.
  - ▶ \$297 million leveraged \$3.2 billion in project financing, over program lifetime
- ▶ Main State Issuer for **Energy Related Bonds - \$212 million in outstanding bond**

# Challenges for Residential PACE - FHFA

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- ▶ 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.
  - ▶ Because PACE assessments are collected through property taxes, they have priority over other property-based debts, including a first mortgage.
- ▶ FHFA instructed federal mortgage enterprises to stop purchasing mortgages for homes with first-priority PACE obligations, leading most PACE programs to suspend their residential financing programs.
- ▶ 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 financing 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.



# PACE Loss Reserve Program

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- ▶ The Budget Act of 2013 allocated \$10 million for the Loss Reserve.
- ▶ The purpose of the Loss Reserve is to compensate first mortgage lenders for losses resulting from the existence of a PACE lien in a foreclosure or forced sale.
- ▶ The Loss Reserve covers:
  - ▶ PACE payments made during a foreclosure (while the first mortgage lender is in possession of the property), and
  - ▶ 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.

# Program Enrollment

- ▶ PACE administrators can participate in the Program by applying to CAEATFA and demonstrating that they meet the Program’s minimum underwriting criteria.
- ▶ Once a PACE program is enrolled, the Loss Reserve will cover assessments issued by that program for their full terms, or until funds are exhausted.
- ▶ The Program launched in March 2014, and initially enrolled 8 PACE programs in June 2014:

PACE Program	Areas Served	Administrator
<b>mPOWER Placer</b>	Placer County	County of Placer, Treasurer-Tax Collector
<b>mPOWER Folsom</b>	City of Folsom	County of Placer, Treasurer-Tax Collector
<b>Berkeley Financing Initiative for Renewable and Solar Technology (FIRST)</b>	City of Berkeley	Renewable Funding
<b>Sonoma County Energy Independence Program (SCEIP)</b>	Sonoma County	County of Sonoma, Auditor-Controller Treasurer-Tax Collector
<b>CaliforniaFIRST</b>	State of California	Renewable Funding
<b>Western Riverside Council of Governments (WRCOG) Home Energy Renovation Opportunity (HERO)</b>	Western Riverside County	WRCOG with Renovate America
<b>San Bernardino Associated Governments (SANBAG) HERO</b>	San Bernardino County	SANBAG and Renovate America
<b>California HERO</b>	State of California	WRCOG and Renovate America

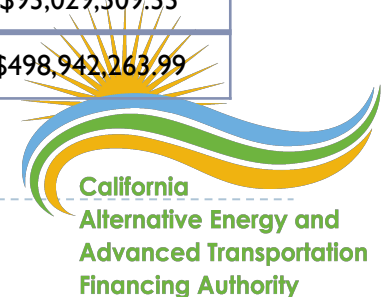




# Program Activity

- ▶ To date, the Loss Reserve covers 24,423 residential PACE financings with a total principal value of almost \$499 million.
- ▶ No claims have been made against the Loss Reserve. During Program development, CAEATFA initially estimated that the \$10 million would last between 8–12 years.

Program	Initial Application (June 2014)		July 1–December 31, 2014		Total Enrolled	
	Count	Value	Count	Value	Count	Value
mPOWER Placer	464	\$10,502,382.62	312	\$9,540,534.04	776	\$20,042,916.66
mPOWER Folsom	3	\$54,181.18	4	\$86,847.90	7	\$141,029.08
Berkeley FIRST	13	\$299,233.74	-	\$0.00	13	\$299,233.74
SCEIP	1,550	\$43,702,974.25	65	\$1,524,472.34	1,615	\$45,227,446.59
CaliforniaFIRST	-	\$0.00	151	\$3,435,462.04	151	\$3,435,462.04
WRCOG HERO	9,911	\$189,339,784.00	1,757	\$34,971,957.65	11,668	\$224,311,741.65
SANBAG HERO	4,286	\$80,398,364.90	1,763	\$32,056,560.00	6,049	\$112,454,924.90
California HERO	1,174	\$25,974,938.48	2,970	\$67,054,570.85	4,144	\$93,029,509.33
Portfolio Totals:	17,401	\$350,271,859.17	7,022	\$148,670,404.82	24,423	\$498,942,263.99



# Glimpse At Current Policy Issues & Efforts

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- ▶ HUD – CA – MacArthur Foundation Partnership
  - ▶ HUD Guidance on PACE Multifamily (Jan 2015)
  - ▶ Credit Enhancement for Multifamily PACE
  - ▶ Data efforts with DOE & HUD on CA experience
- ▶ How do we facilitate more EE and DG for low- and moderate-income California's? How can we support this under the PACE structure?
- ▶ What's the best way for the State to support other market sectors, e.g. commercial and multifamily
- ▶ Data, Data Data

# Contact Us

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