

PACE and Beyond

Kauai County Council

Cisco DeVries | January 12, 2011

RENEWABLE  FUNDING



Presentation Overview

Kauai Sustainability Plan

“Recommendation 6.3: Participate in PACE program to Increase Distributed Energy Capacity”

Overview of Presentation

PACE primer and program experience examples

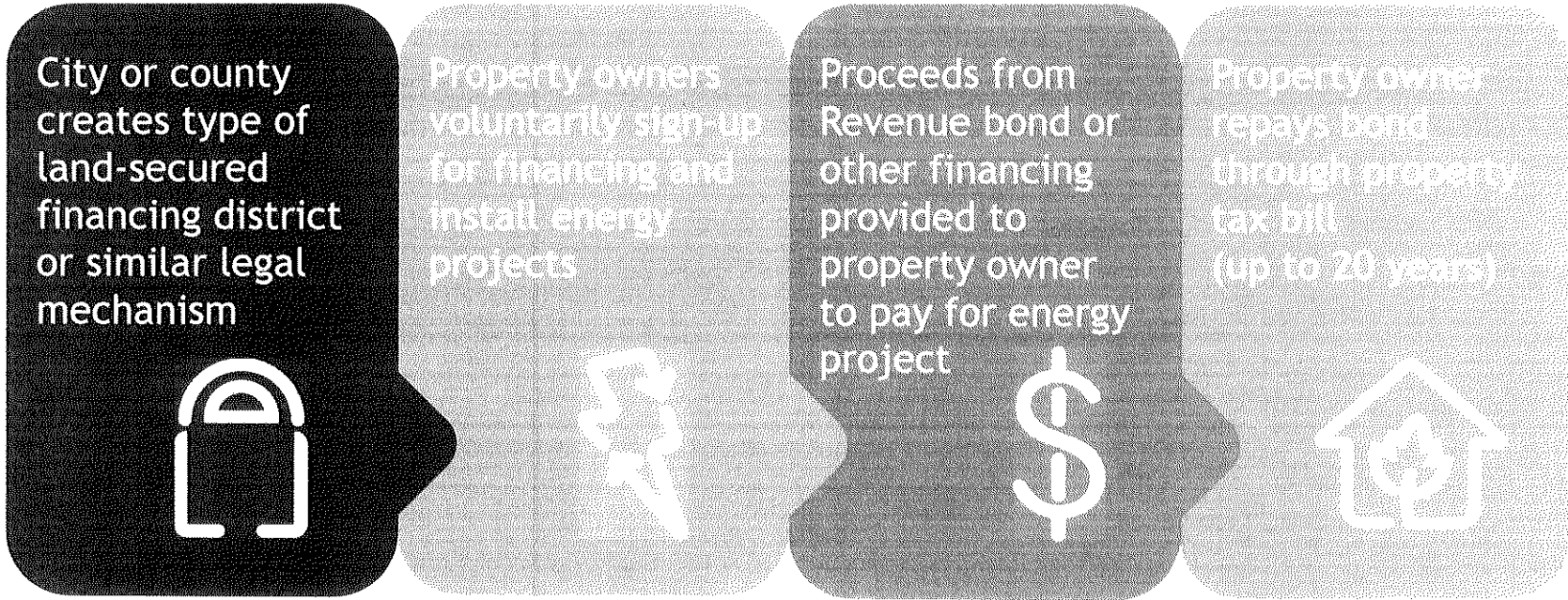
PACE regulatory issues

Legislation and litigation

Lessons Learned

What's Next?

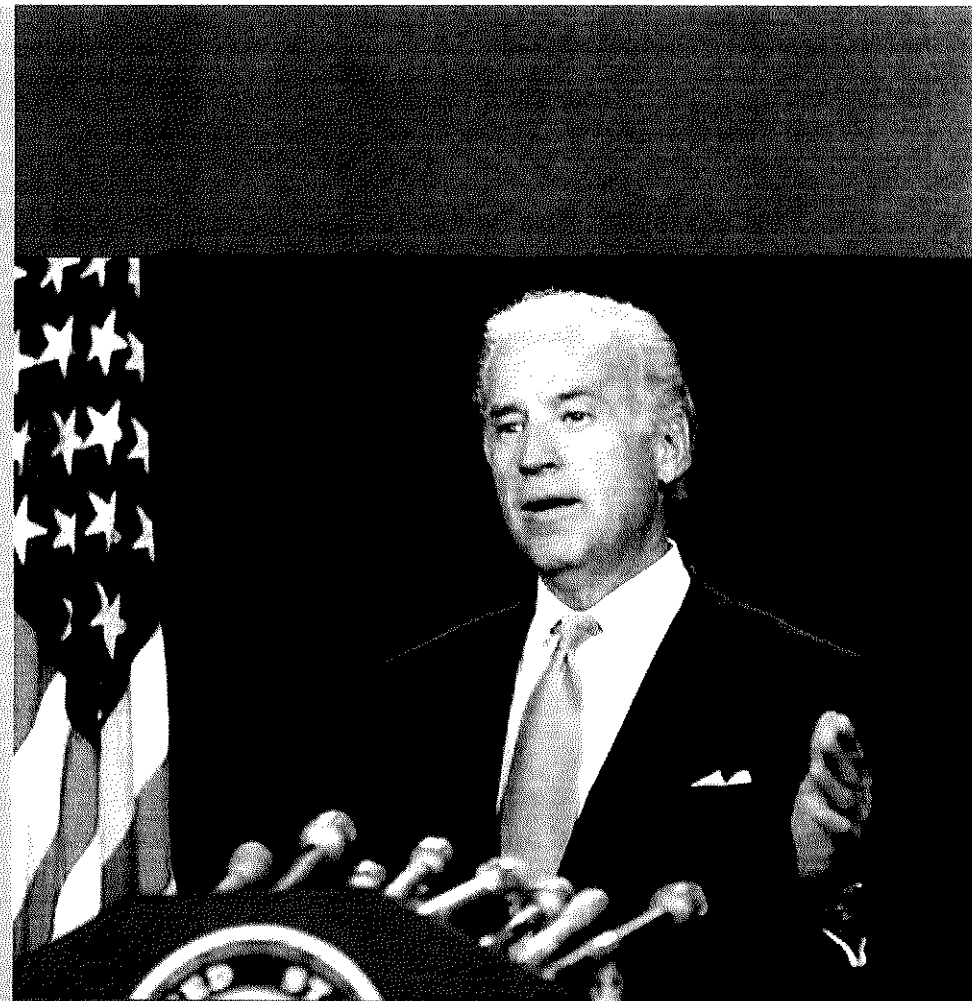
How PACE Works



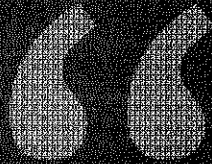
“

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.

”



Vice President Biden
October 2009



Top 20 World Changing Ideas:

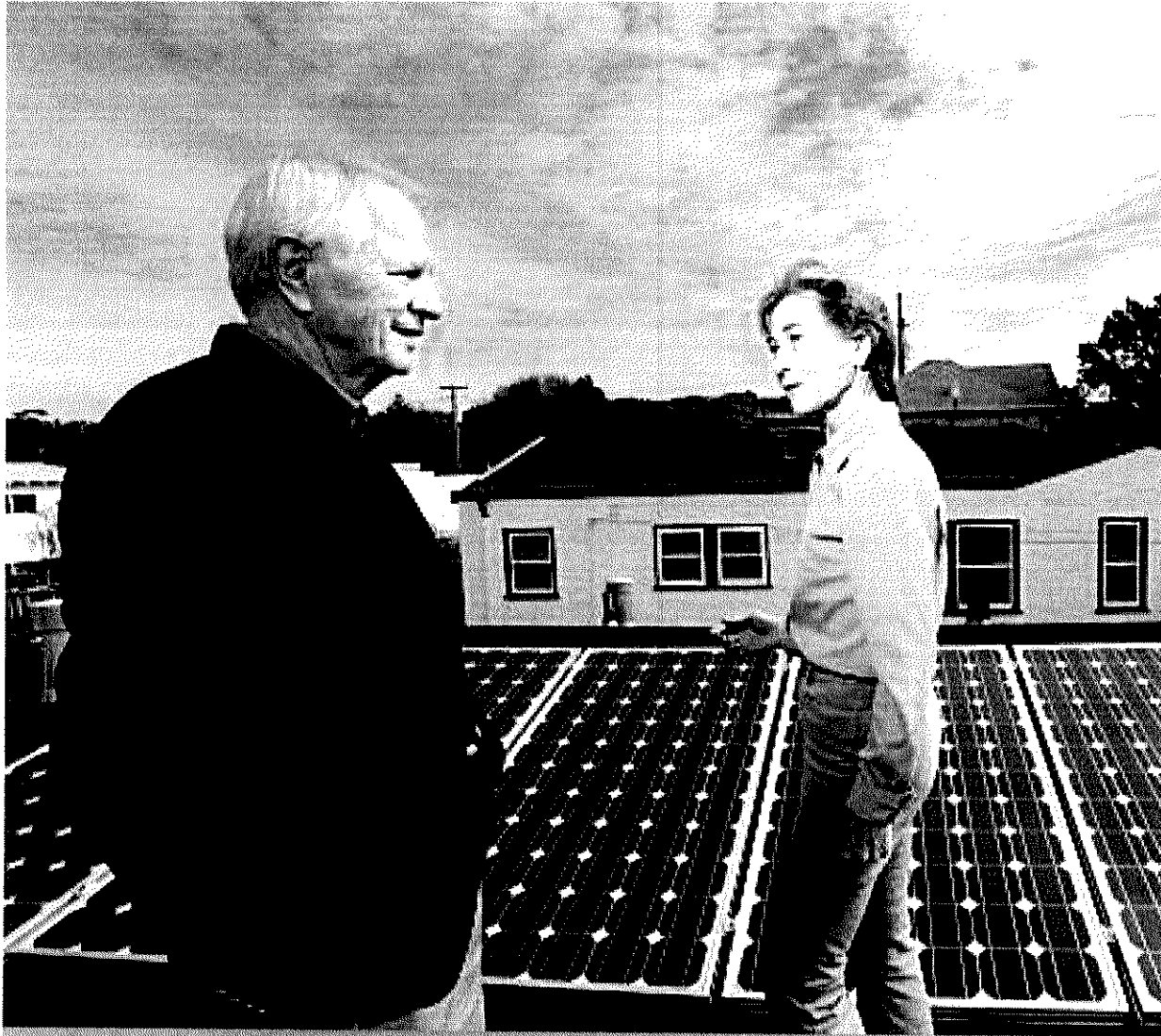
A new innovation in financing, however, has opened up an additional possibility for homeowners who want to reduce their carbon footprint and lower their electric bills: get the panels for free, then pay for the power as you go.



SCIENTIFIC AMERICAN

December 2009

Berkeley, CA Pilot Program



Launched in
November 2008

Successful test of
model using fully
private capital

Applications for 40
pilot slots “sold
out” in 9 minutes

Approximately
1/3rd used
financing

Sonoma County, CA Program

Nation's largest
PACE program

\$40 million
disbursed

1,328 properties

No defaults on
PACE homes

PACE benefits

330 jobs


3 MW clean
energy



San Francisco, CA Program

Learn About SF's New, Little-to-No Money Down Program to Finance Green Projects
Visit: GreenFinanceSF.org

DID YOU KNOW?
you can
SAVE HUNDREDS OF BUCKS
BY SEALING YOUR

ENERGY SAVINGS EVERY YEAR IF YOU  YOUR DUCTS

Launched April 2010

Energy retrofit
focused program

No financing for solar
without energy
efficiency measures

First month of
program

8,944 unique contacts
to program

79 contractors
approved

130 applications

New Regulatory Barriers

May 2010: Fannie Mae lender letter

PACE programs are “loans,” not assessments

July 2010: FHFA guidance letter

PACE creates “Safety and soundness concerns”

Punish PACE properties and communities offering PACE

July 2010: Congressionally led PACE discussions with FHFA and other regulators

Result: FHFA sent a letter to Members of Congress breaking off talks.

August 2010: Fannie Mae lender letter

PACE “loans” prior to July 6th must be paid off at time of refinance

Litigation

California Files Suit

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

“California seeks a prompt judicial declaration against Fannie Mae and Freddie Mac that, under California law:

- (a) PACE programs operate by assessments, not loans, and such assessments are valid;
- (b) liens that may result from PACE assessments, like those resulting from other types of assessments, have priority over mortgages; and
- (c) participation in PACE programs is compatible with, and not in violation of, Fannie Mae’s and Freddie Mac’s standardized mortgage documents.”

Additional lawsuits by Babylon, Sonoma County, Leon County, NRDC, Palm Desert, and Sierra Club

Legislation

PACE Assessment Protection Act – bipartisan support

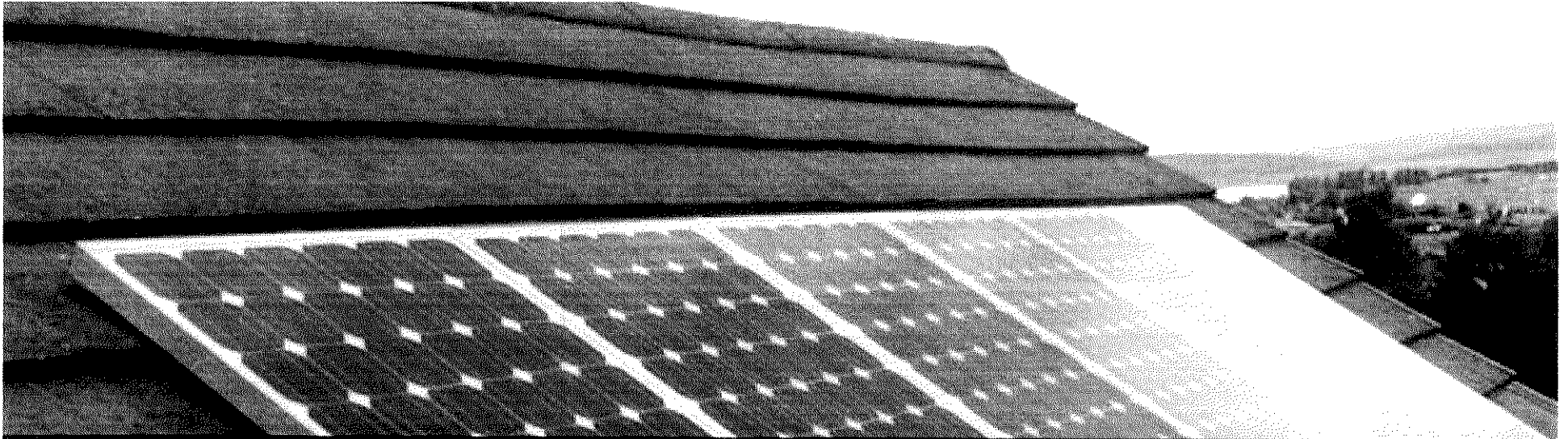
HOUSE: HR 5766 (Thompson); 48 co-sponsors

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

A Few Lessons From PACE



- ❖ PACE works: created demand and funded projects -- with zero defaults
- ❖ Benefits of PACE went far beyond financing
- ❖ Regulators, finance industry can't 'see' energy costs
- ❖ Effective communication and marketing is essential

What's Next?

Commercial PACE. Plans to launch new large-scale commercial PACE financing programs.

San Francisco, Los Angeles, Washington DC

FHA Powersaver. Partially government insured home improvement loan for energy upgrades.

Pilot program to launch mid-2011

Secondary Market for Unsecured Financing. Create system for home energy loans that looks like auto loans, credit card receivables, etc.



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