PACE Fact Sheet

What is Property Assessed Clean Energy financing?

Property Assessed Clean Energy (PACE) financing provides funding for residential (1-3 units*), multi-family (5+units), commercial, industrial and agricultural property owners in participating jurisdictions to implement energy efficiency, water conservation or renewable energy projects with no out-of-pocket costs. Financing is repaid via the property's annual tax bill over a period of time, up to 30 years.

Who can take advantage of PACE?

PACE financing is available to private property owners whose properties are located in jurisdictions that have opted-in to one or more PACE programs. A city or county may opt to join a residential PACE program, a commercial PACE program, multiple PACE programs, or any combination thereof. In general, PACE programs offer financing to property owners who have at least some equity in their property and have not been delinquent on their property tax or mortgage payments. Typically, approval for PACE does not look at a property owner's credit, nor does it affect consumer credit ratings.

What may be financed with PACE?

PACE programs finance any qualifying product that is permanently fixed to the property and saves energy or water or produces renewable energy. Eligible products may vary among the different PACE providers. For questions regarding specific product eligibility, contact the individual PACE provider(s) in your area.

Examples of eligible products include: attic insulation; heating, ventilation and air conditioning replacements (HVAC), solar photovoltaic systems, water heating systems, industrial process equipment and low-flow toilets. Most residential PACE providers require the project to be completed by a participating contractor in order to be eligible.

What are some of the benefits of PACE financing?

1. 100% financing may eliminate the need to pay out of pocket for your project.
2. Longer repayment terms, up to 30 years, keep monthly payments low enough that your utility savings may be greater than your financing payment.
3. Financing may transfer to a new owner upon sale of the property since financing repayment is tied to the property tax bill, rather than the borrower. However, most providers require consent from the new owner before transferring the liability.
4. Certain projects may lower operating costs through reduced utility bills.
5. Financing approval is property-qualified, not credit-based. PACE financing will not show up on the property owner's credit report and will not impact future debt-to-income ratios.
6. For commercial properties, PACE may help preserve capital for core business activities.
7. Financing costs may be passed through to commercial tenants.

For details concerning program eligibility for residential and commercial PACE, specific PACE programs in California and their financing terms: visit **GoGreenFinancing.com**.

*At this time, many PACE providers do not finance improvements for 4-unit multi-family buildings. Check with individual PACE providers for details.

What is the history of PACE in California?

PACE was first conceived and proposed in the Monterey Bay Regional Action Plan in 2005. In California, the first PACE program was established in Berkeley in 2008. The concept was designed to overcome one of the most significant barriers to home solar installation – high up-front costs and long payback periods. For instance, a property owner could spend thousands on a solar system without recovering the cost by the time he/she sells the property. With PACE, the property owner can "mortgage" these improvements and pay for the benefits they derive only while he/she owns the property.

In 2008, California passed legislation for PACE financing, Assembly Bill 811, as a means to address the issue of climate change, to make clean energy upgrades more accessible and to promote the installation of energy projects on California properties. Other jurisdictions, besides BerkeleyFIRST, quickly showed interest in offering PACE to their communities as a means to meet climate action planning goals and stimulate local job growth during the recession.

Residential PACE soon encountered a significant hurdle. The Federal Housing Finance Agency (FHFA) was concerned that with residential PACE assessments having a lien status superior to that of existing mortgages (as all property taxes are), the PACE lien would negatively affect Fannie Mae and Freddie Mac, who underwrite the majority of residential mortgages and purchase aggregated mortgages on the secondary market. With PACE in the first position, in the event of a default, any delinquent PACE assessments (though not the entire amount financed-just the amount in arrears that accrued during a default) would be paid off prior to mortgage debt holders.

With properties quickly depreciating in value during the recession, the FHFA worried that if a home was foreclosed, Fannie Mae and Freddie Mac would be unable to sell the home for enough money to recover both the PACE-related property tax payments and their mortgage. As a result, in 2010, Fannie Mae and Freddie Mac stated that they would no longer purchase mortgage loans secured by properties that also have outstanding PACE liens.

This stopped residential PACE programs, with the exception of a few pilot programs. Some commercial programs continued – not being affected by the FHFA decision.

Since 2010, a number of developments have facilitated a resurgence of residential PACE programs in California – including the passage of state legislation, implementation of legal instruments to address FHFA concerns, new consumer disclosures and consumer protection measures and the establishment of a CA PACE Loss Reserve program. The $10 million CA PACE Loss Reserve mitigates the risk to mortgage lenders associated with residential PACE financing by making the first mortgage lenders whole for any losses in a foreclosure or a forced sale attributable to a PACE lien covered under the Program. The goal of the Program is to put first mortgage lenders in the same position they would be in without a PACE lien . Now, California has many PACE programs, residential and commercial, actively operating throughout the State.

In July 2016, the Federal Housing Authority and the Veteran's Administration released a series of letters providing guidance to the mortgage industry (mortgagees, real estate agents and appraisers) for residential PACE. These letters reaffirmed the priority status of the PACE lien and outlined disclosure and appraisal requirements. Finally, In November 2016, the US Department of Energy released a PACE Best Practice Guidelines for residential PACE.

For more details, read Residential and Commercial Property Assessed Clean Energy (PACE) Financing in California , a report prepared for the Center for Sustainable Energy under the U.S. Department of Energy's Rooftop Solar Challenge Program.

How do I get started with PACE?

View the provider list at **GoGreenFinancing.com** for contact information for PACE provider(s). Each provider has its own set of documents that a local government approves in order to authorize the program to offer its PACE financing services in that particular area. The trend among local governments is to opt-in to multiple programs – providing competition in the PACE marketplace, which is expected to lead to lower interest rates, and enhanced customer service and consumer protections.