



Financing Program Support for ARRA Recipients

**PACE Legal Authority &
Administration**
December 11, 2009



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U.S. DOE Webinar

**Getting Started:
Legal Authority & Administering
PACE Financing Programs**

December 11, 2009

Presented by:
Sheridan Pauker
Energy and Clean Technology Group

Property Assessed Clean Energy (“PACE”) Financing Goals

- Decrease dependence on fossil fuels.
- Reduce greenhouse gas and other emissions.
- Reduce up-front cost of energy efficiency improvements and distributed renewable energy.
- Provide loans with repayment period equal to payback period for improvements.
- Loans are secured by a lien on the property; obligation remains with property if owner moves.
- Not a general obligation of the local government or state; only a cost to property owners who choose to participate.

Key Features of PACE Legal Authority

- Local government assessment mechanism
- Local government finance authority
- Energy efficiency (“EE”) and renewable energy (“RE”) as allowable improvements/projects
- Authority to finance improvements on private property
- Opt-in mechanism
- Legislative findings that financing has a public purpose
- Debt secured by tax lien on the property
- Local government bonding authority

The Berkeley FIRST Model

- Existing authority: Mello Roos Community Facilities Act
 - Assessment mechanism
 - Bonding authority
- City of Berkeley's Amendments to provide for PACE:
 - EE and RE as allowable purposes of district
 - Permissible on publicly or privately owned property
 - Opt-in mechanism
 - Legislative findings of valid public purpose
- Results of pilot program: financed ~ 40 residential solar & energy efficiency projects

States that have Passed PACE Legislation

- **California**
(A.B. 811;
A.B. 474)
- **Maryland**
(H.B. 1567)
- **North Carolina**
(S.B. 97; H.B.
1770)
- **Texas**
(H.B. 1937)
- **Colorado**
(H.B. 08-1350)
- **Nevada**
(S.B. 358)
- **Ohio**
(H.B. 1)
- **Vermont**
(Act 45;
H. 446)
- **Illinois**
(S.B. 583)
- **New Mexico**
(S.B. 647; H.B.
572)
- **Oklahoma**
(S.B. 668)
- **Virginia**
(S. 1212)
- **Louisiana**
(S.B. 224)
- **New York**
(A.B. 8862; A.B.
40004A)
- **Oregon**
(H.B. 2626)
- **Wisconsin**
(A.B. 255)

Source: DSIREUSA.org. See DSIRE's PACE Financing site for updated information:
<http://www.dsireusa.org/incentives/index.cfm?EE=1&RE=1&SPV=0&ST=0&searchtype=PTFAuth&sh=1>

States Identified: Legislation Likely Necessary to Provide PACE Authority (Partial List)

- Arizona
- Connecticut
- Massachusetts
- Michigan
- New Jersey
- Pennsylvania
- Utah

States Identified: Likely Existing Authority to Implement PACE

- Florida: “Special Districts” (Fla. Stat. § 189)
- Hawai’i: “Special Improvement Districts” ~ depending on the particular county

Other Considerations for PACE Authority

- Use of existing authority vs. stand-alone authority
- Constitutional questions
- Consultation with local bond counsel
- Design features (Length of loan repayment period; types and priorities of improvements permitted)
- Integration with Federal, state and local funding sources, incentives (e.g. ARRA)
- Creative approaches (e.g. Town of Babylon, NY; Washington's H.B. 1007 – Sustainable Energy Trust Program)

Additional Resources:

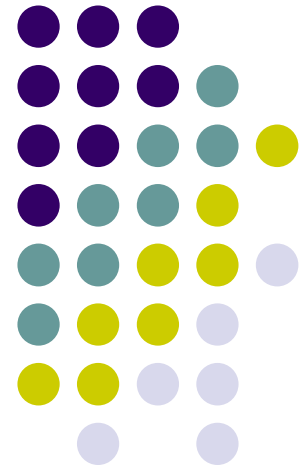
- <http://votesolar.org/city-initiatives/solar-municipal-property-tax-financing/>
- http://votesolar.org/wp-content/uploads/2009/06/key_states_memo.pdf
- <http://rael.berkeley.edu/financing/resources>
- <http://www.dsireusa.org/incentives/index.cfm?EE=1&RE=1&SPV=0&ST=0&searchtype=PTFAuth&sh=1>
- <http://www.renewfund.com/pace/definition-history>

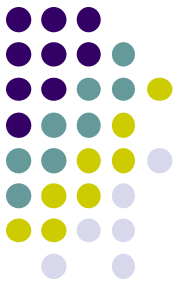
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ClimateSmart Loan Program

Ann Livingston
Boulder County, Colorado

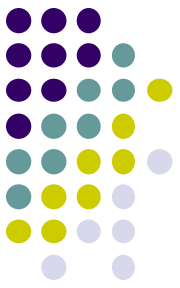




Initial Efforts

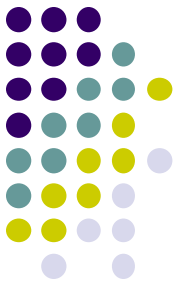
- County legal and program staff, outside financial advisor, and bond counsel examined use of municipal bond market
- Demand analysis/outside consultant
- County-wide Task Force including Treasurer and Assessor form multi-department team of specialists
- Colorado's existing SID/LID statutes found to be inadequate
- New legislation (HB 08-1350) drafted and passed
- Support from municipal and county associations
- Discussions with utility and banking lobbies

House Bill 1350 – Major Provisions



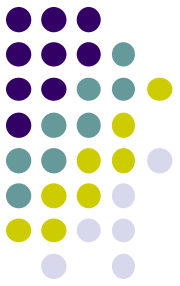
- Gives statutory authority to cities and counties to create LIDs and SIDs for EE and RE properties and provides a funding mechanism
- Defines EE/RE finance programs as a public purpose
- Creates a voluntary opt in district
- Shortens notice and due process provisions as these are opt in, voluntary participants
- Old LID and SID statute provided mostly for public ownership for financial assets

Public Purposes Served by Boulder County's Efforts



- Reduce emissions, including GHGs
- Create sustainable communities
- Intervene in the capital markets to improve communities
- Promote local job creation
- Support small businesses operating in the energy sector
- Create opportunities for intergovernmental cooperation

Voter Approach – Fall 2008 and 2009



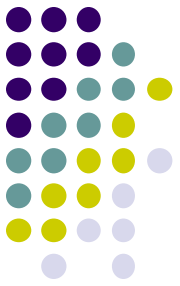
- Boulder – 2008
 - \$40 million in principal authorization
 - 62% approval
 - 10% interest limitation/ assume taxable bonds
- Jurisdictions – 2009
 - Passed: Eagle, Pitkin, and Gunnison Counties
 - Failed: Boulder County by 1%



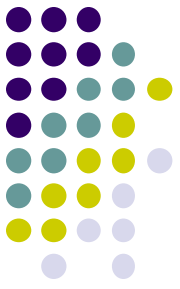
County Roles

- Formed countywide LID (no vote required)
- Referred ballot measure (which passed)
- Received VCA assignments and carry forward (our own and municipal)
- Program design with municipalities
- Markets program with municipal and other partners
- Impose special assessments and collect payments

Stakeholder Process



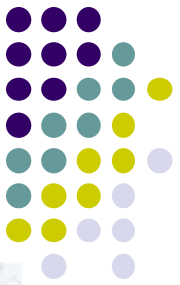
- Community input on eligible measures list
- Hold public meetings & hearings
- Allow email and other forms of comment
- Engage contractors and other partners
- Market program with municipal and other partners and stakeholders



How the Program Works

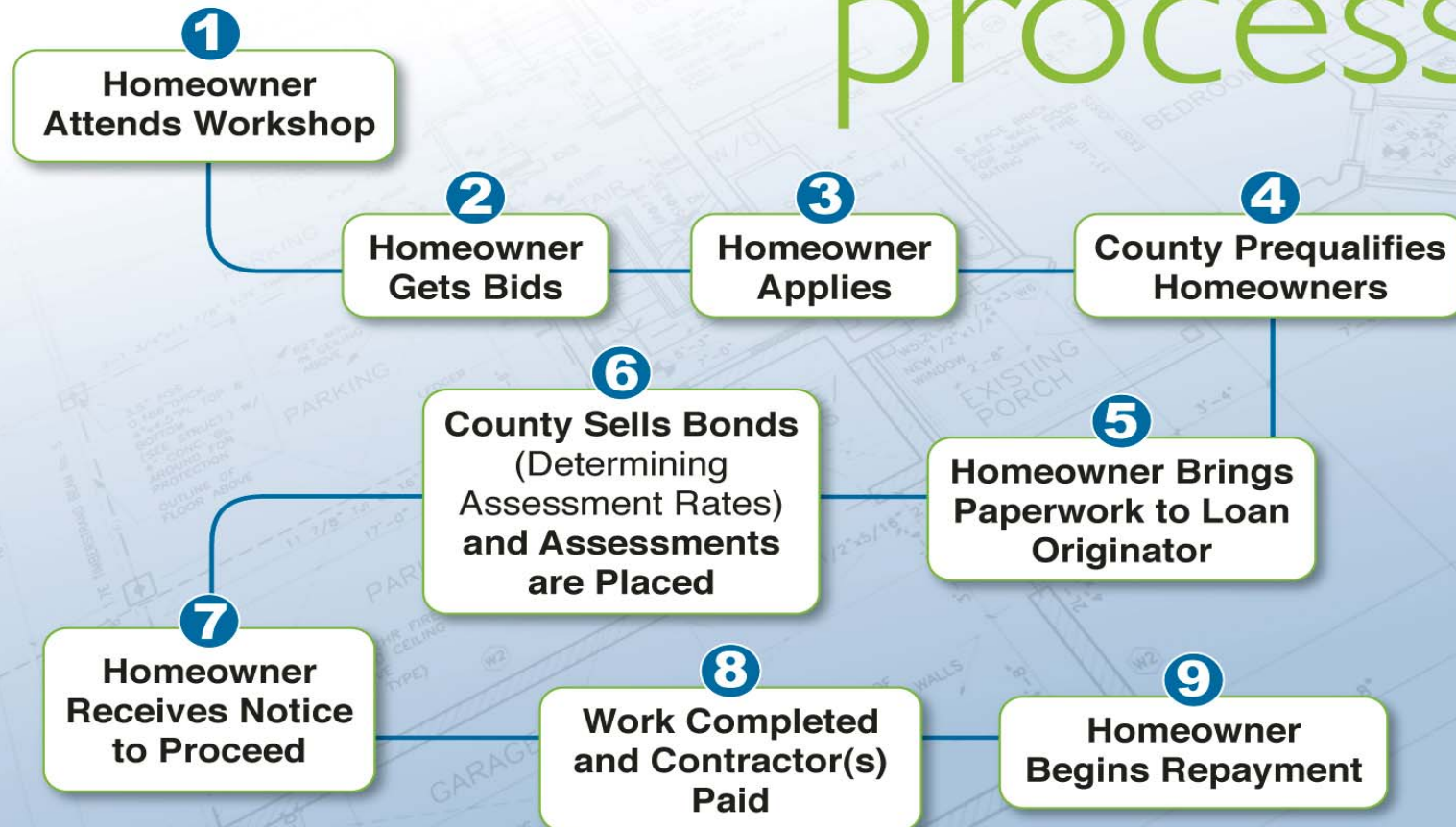
- List of Energy Efficiency and Renewable Energy (EE/RE) measures allowed
- Property owners opt in
- Special assessment placed on property – easy payment via property tax statement – repayment responsibility remains with the benefited property
- Up to the full upfront cost of improvements is loaned
- No cost to property owners who don't opt in
- Link to rebate and incentive programs
- Countywide pool of funds obtained through sale of bonds

Consumer Process Chart



ClimateSmart loan program application & financing

process



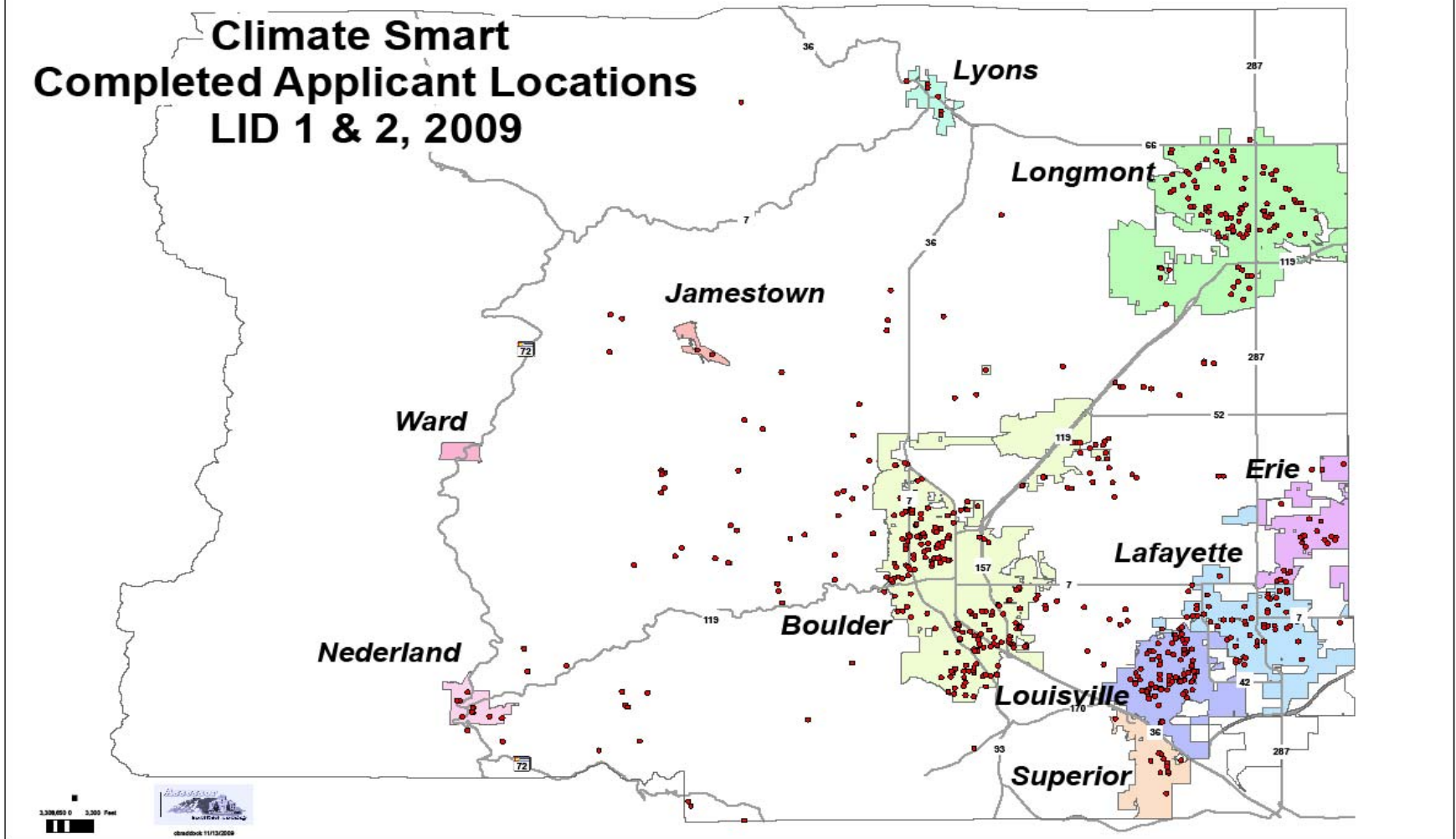
saveenergy save money saveenergy saveenergy save money



Loan Sizes & Rates

- Minimum: \$3,000 per home
- Maximum:
 - Taxable bond funded (“open”) loans: 20% of statutory actual value of property or \$50,000, whichever is less.
 - Tax-exempt bond funded (“income qualified”) loans: \$15,000, as per federal law.
 - “Income qualified” loans may be combined with “open” loans up to the “open” loan maximum.
 - Assessment rates: 5.2 and 5.8% for income-qualified; 6.68 and 6.8% for open loans.

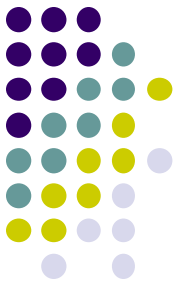
Climate Smart Completed Applicant Locations LID 1 & 2, 2009



Total 612 borrowers totaling nearly \$10 million

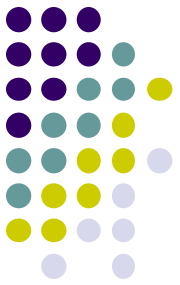
RE=\$3.6 million & EE=\$6.1 million; Avg loan amount = \$16k

Applying this to Other Colorado Cities and Counties



- Political appetite of local elected officials
- Cooperation of constitutional officers
- Assessing your internal ability to staff the effort
- Availability to access staff members on a timely basis
- General fund support
- Availability of originators

Contact Information



www.climatesmartloanprogram.org

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Boulder County Sustainability Coordinator

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303.441.3517

LONG ISLAND GREEN HOMES

green your house, slash your energy bill, reduce your carbon footprint...
at little or no cost to you.

It's now *easy* to make your home
more *comfortable* and *affordable*!



Going Island-wide...

GREEN HOMES Pilot

- 295 Homes audited and/or completed
- Avg . cost of improvements: \$8,262
- Avg. annual savings to homeowner: \$1,024
- Avg. payback period: 8.5 yrs
- 23.5% increase in Green Jobs





Program Overview

- The property owner gets a home performance evaluation from a private contractor.
- The Town assigns a benefit assessment to the property after the work is completed to cover the cost of the energy upgrades and the initial audit.
- The Town pays the contractor directly to perform the energy upgrades on the home and the property owner pays off the benefit assessment to the Town.
- The monthly repayment amount and term are based on projected energy savings.



Why GREEN HOMES is the Right Model

One-stop Retrofit Delivered by a Trusted Broker

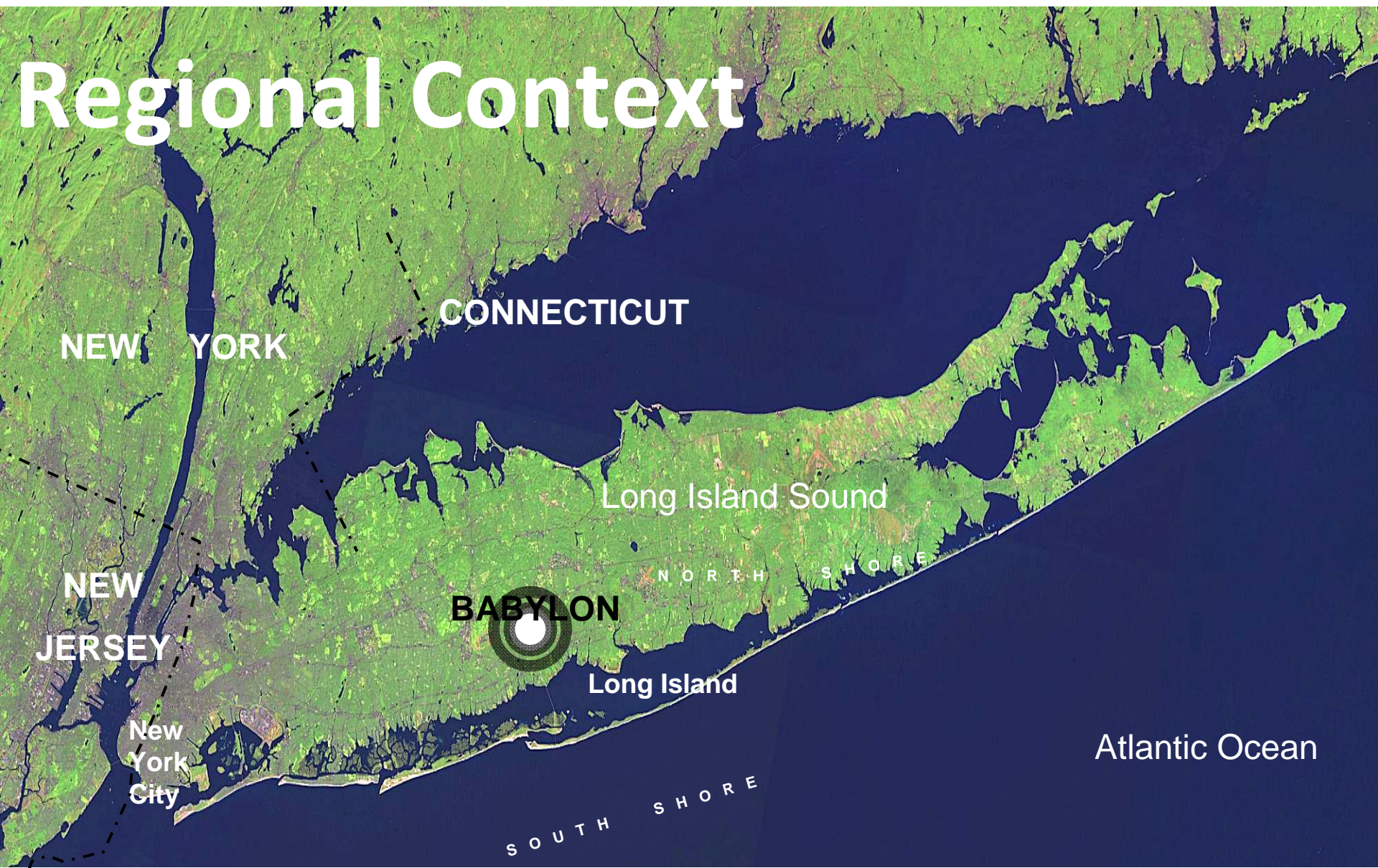
Municipalities:

- are closest to the people
- provide many basic services
- have control over building and planning data & functions
- can guarantee repayment by placing on tax bill
- leverage contractor compliance
- dissatisfied homeowner can vote out CEO





Regional Context



NEW YORK

CONNECTICUT

NEW JERSEY

Long Island Sound

BABYLON

NORTH SHORE

Long Island

SOUTH SHORE

New York City

Atlantic Ocean





Policy Primers

- **Town of Babylon** – Amends **CHAPTER 133, ARTICLE I - SOLID WASTE MANAGEMENT**: “*energy waste by dint of its carbon component*” (7/08)
- **NY State Laws 2009, Ch 409** Affirms Babylon Carbon Law (8/09)
- **NY State Adds layer of PACE Legislation** (11/19)

Retrofits w/ LI's Formula Grants

Towns, Counties, & Villages Total pop involved: 1,882K		EECBG Formula	20% Revolving \$3,125,380	%total	Pilot/ttl homes 402/527K
Babylon	pop.216K	\$1,545,200	\$309,040	7.7%	44/60K
Brookhaven	pop.471K	\$4,141,200	\$828,240	20.6%	118/131K
{Freeport Village		\$ 173,000	\$ 34,600	.86%	5}
{Hempstead	pop.751K	\$4,577,700	\$915,540	22.8%	131/247K}
{Hempstead Village		\$ 479,800	\$ 95,960	2.4%	14}
Huntington	pop.196K	\$1,725,200	\$345,040	8.8%	49/60K
Islip	pop.325K	\$3,026,100	\$605,220	15.1%	86/84K
{Nassau}		(\$3,723,100)	{744,620}	---	
N. Hempstead	pop.219K	\$ 892,000	\$178,400	4.4%	25/58K
Oyster Bay	pop.282K	\$2,217,000	\$443,400	11%	63/86K
Smithtown	pop.118K	\$1,064,500	\$212,900	5.3%	30/35K
Southampton	pop. 55K	\$ 206,600	\$ 41,320	1%	6/15K
{Suffolk}		\$ (732,900)	{146,580}	---	
{ } – not included		\$20,048,300	{\$4,009,660}		{573/761K}

THE
BABYLON  PROJECT

building green homes, green jobs & green communities

Media coverage of **Green Homes**

THE WALL STREET JOURNAL.

Newsday

CNN

The New York Times
Green Inc.

CBS 

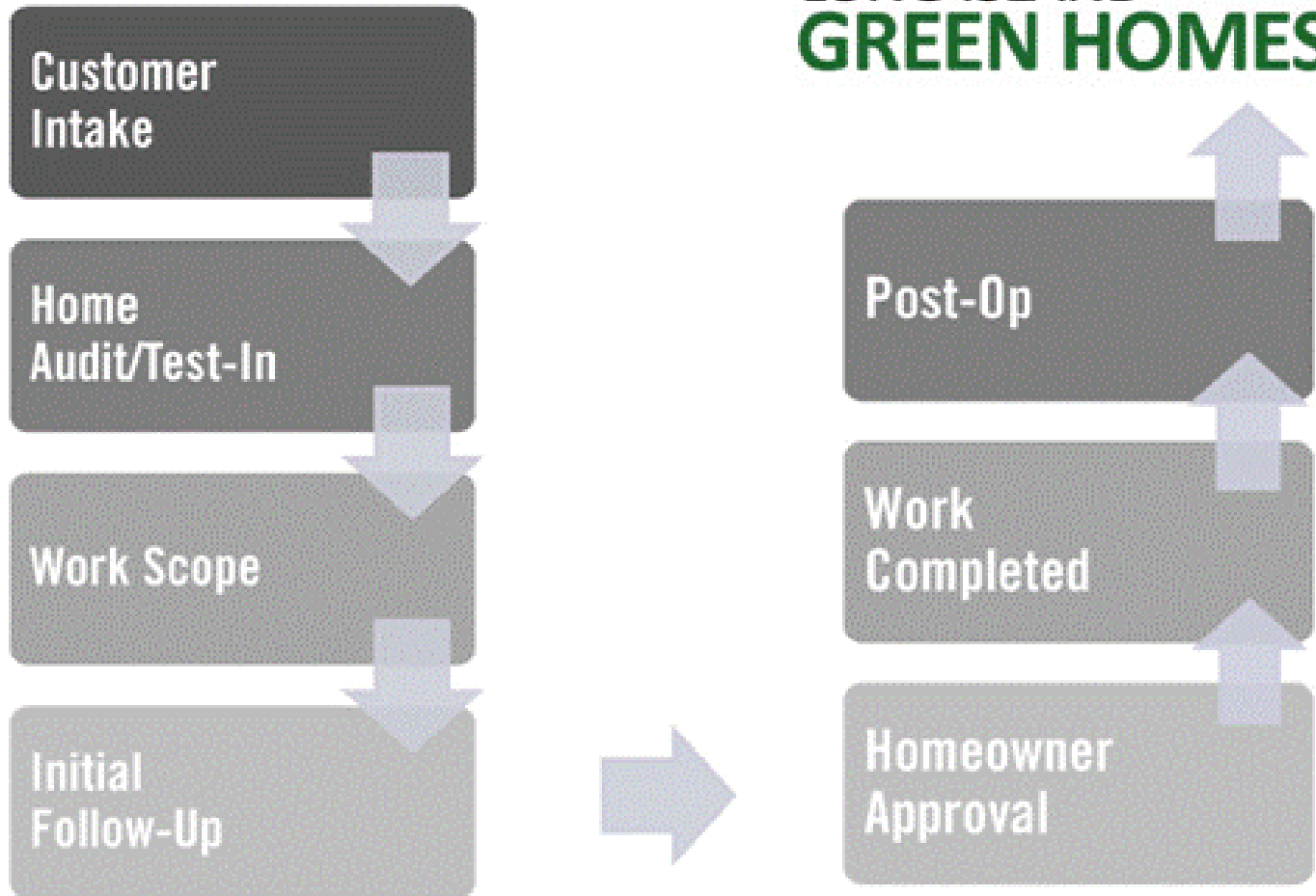
Long Island  Press

www.TheBabylonProject.org

Replicating the Model



The Process



Island-wide GREEN HOMES Program

5% of participating LI Homes would amount to 28,650 retrofits for \$230M +:

- **133,796**tCO₂
- **2,500** retrofit jobs
- Saving homeowners **\$29M** per year

National GREEN HOMES Program

Retrofitting just 5% of America's homes would represent a \$32B investment +:

- Eliminating **18.7M**tCO₂ emissions
- Create **40,000** clean energy jobs
- Save homeowners **\$3.7 billion** annually



CaliforniaFIRST Program

Presented by Annie Henderson
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December 11, 2009



CaliforniaFIRST Program Team

CSCDA California Communities - Sponsor

- Joint Powers Authority formed in 1988 with 500 members cities, counties, and special districts
- Issued over \$44B in municipal debt

Renewable Funding – Administration/Finance

Royal Bank of Canada Capital Markets – Finance

Legal Counsel: Jones Hall and Orrick, Herrington & Sutcliffe LLP

Local Partners: California Center for Sustainable Energy (CCSE)/EcoMotion



CaliforniaFIRST Services

Program Administration

Design

Technology/Operations

Marketing

Stakeholder coordination

Design and development of policies and terms

Connect to local goals

Application processing and approval

Develop and maintain web portal

Training for local gov't staff

Basic marketing services and guidelines

Customer service



CaliforniaFIRST Services

Legal

Program Adoption

Program Formation

Public Notice

Sample Staff Report

Resolution to Join

Formation of the district

Legal validation

Bond indenture

Bond, disclosure and issuer's counsel



CaliforniaFIRST Services

Finance

Bond Issuance

Bond Finance

Local
Obligation

Revenue
Bond

Bond
Underwriting

Interim
financing

Bond sale
and market
placement

Tax roll
preparation



Local Responsibilities

Local Efforts

Identify a local point of contact

Update meetings

Coordinate with local cities

Local customer service

Questions from local residents

Optional

Develop additional local marketing and outreach

Develop and maintain additional policies





Comparison

State Program

Regional Program

City Program

Pros Broad economies of scale

Some economies of scale and customization

Full customization to fit local policy goals

Cons Reduced customization at local level

Reduced financial benefits

Limited economies of scale



Local "Prius" Approach





Lessons Learned in Early Stage

- Need for strong central **team**
- Stakeholder **coordination** is key
- **Consistency** in program design is critical to maintain economies of scale
- Information management will **streamline** process
- **Flexibility** should be incorporated into program design



Contact

- Annie Henderson
- Phone: 510.451.7911
- Email: annie@renewfund.com

RENEWABLE  FUNDING



Send feedback & requests for technical assistance on financing to:

Bret Kadison – financingrapidresponse@ee.doe.gov

Resource Portal for Financing Programs (see page on PACE)

<http://www.eecbg.energy.gov/solutioncenter/financialproducts/default.html>

How to Guide for PACE Programs

<http://rael.berkeley.edu/files/berkeleysolar/HowTo.pdf>

Federal Government's Policy Framework for PACE Financing Programs

http://www.whitehouse.gov/assets/documents/PACE_Principles.pdf

State legal authority for PACE programs is tracked by the DSIRE database

<http://www.dsireusa.org/incentives/index.cfm?EE=1&RE=1&SPV=0&ST=0&searchtype=PTFAuth&sh=1>

Upcoming and past webinars:

<http://www.eecbg.energy.gov/solutioncenter/webcasts/>