

NASEO National
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Property Assessed Clean Energy (PACE) and commercial PACE activities in Florida

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Thursday, September 6, 2012 - 3 p.m. to 4 p.m. ET



Property Assessed Clean Energy PACE in Florida



■ What is PACE?

- a program framework to finance energy efficiency and renewable energy upgrades to buildings. Typically providing 100% of project capital, and repaid through a non ad-valorem assessment for up to 20 years



Source: PACENow.org



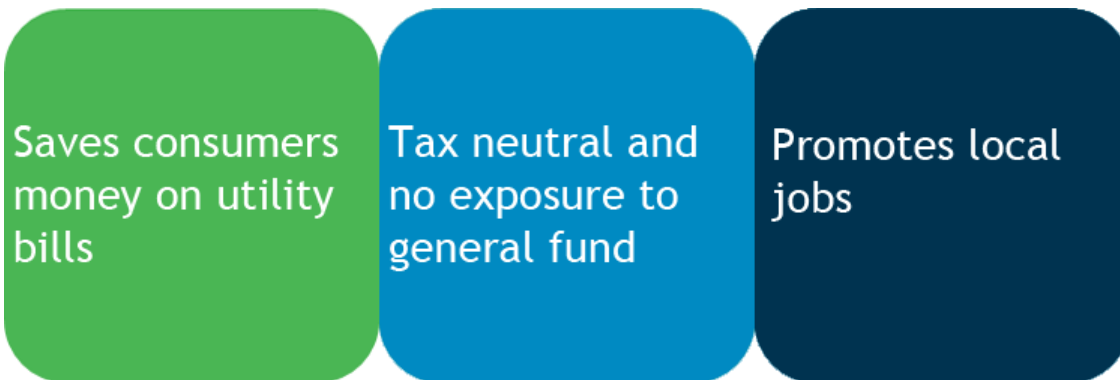


Property Assessed Clean Energy PACE in Florida



■ **Benefits of PACE?**

- Access to much needed capital for quality projects
- Repayment term that is more correlated with benefits and useful life of the equipment used
- Flexible at the local level – craft program aligned with community's building stock and resources



Source: PACENow.org



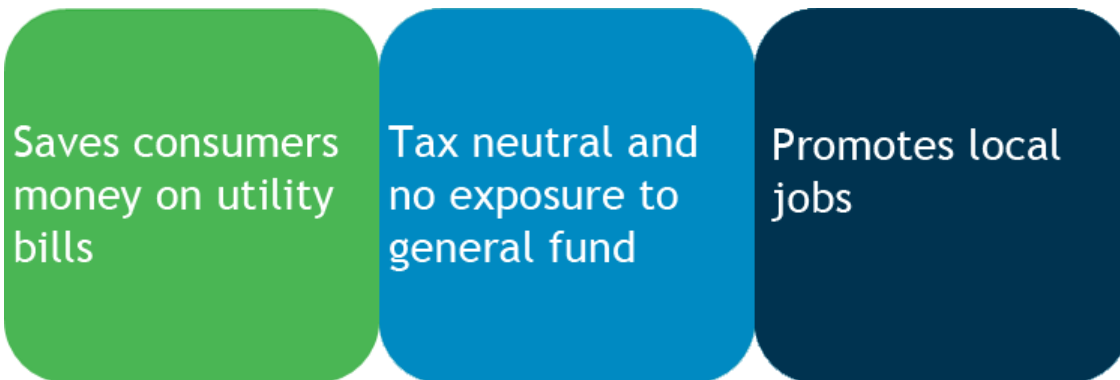


Property Assessed Clean Energy PACE in Florida



■ **Benefits of PACE?**

- Utilizes existing products and services for energy efficiency and renewable energy
- Little to zero local government investment unlocks significant private capital for local investment
- Program, initial energy audit provides education on efficient behaviors, enabling DSM and ODP programs



Source: PACENow.org



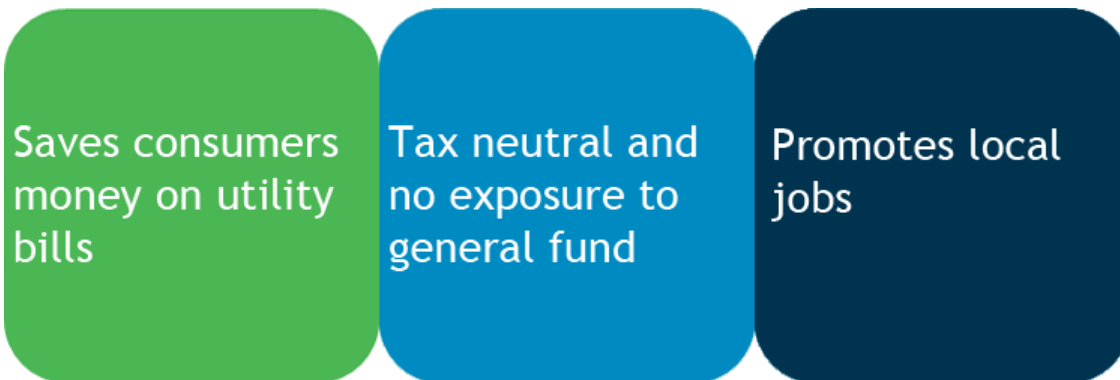


Property Assessed Clean Energy PACE in Florida



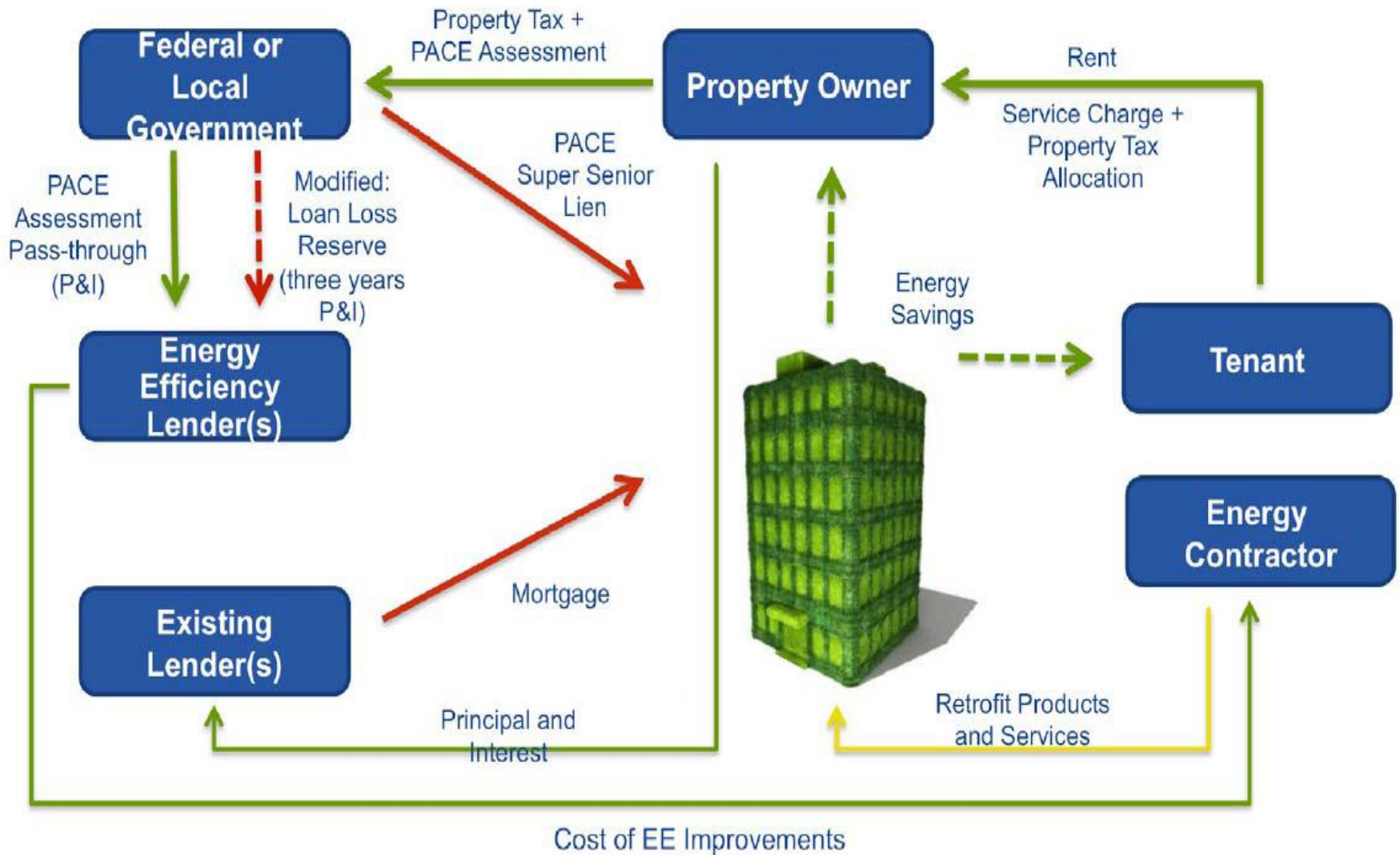
■ **Benefits of PACE?**

- Reductions in utility bills using affordable financing lowers monthly operating expenses
- Property improvements that 'stay with the property' upon sale and transfer of title
- jobs Jobs JOBS



Source: PACENow.org





Source: GE Capital Real Estate





Property Assessed Clean Energy: PACE in Florida

- Florida's enabling legislation passed in Spring 2010 (HB 7179)
- Of particular note was the inclusion of EV charging stations as an eligible financed activity
- The only energy related bill of note that passed the Florida Legislature between 2008's sweeping legislation that enabled an RPS and carbon pricing (now generally repealed) – and the 2012 energy bill that restored expired tax credits and was considered “very modest”
- Within 18 months, three PACE programs focused mainly on the commercial sector were launched – each one designed to be available statewide to local governments that desired a PACE assessment district
- Those programs are as follows...



**Property
Assessed
Clean
Energy:
PACE in
Florida**

Florida Green Energy Works

- **Formed commercial PACE program (Florida Green Energy Works) in July 2011 and created a multijurisdictional separate legal entity (Florida Green Finance Authority) in April 2012**
- **Current Participants:**
 - **Town of Lantana**
 - **Town of Mangonia Park**
 - **West Palm Beach**
 - **Delray Beach**
 - **Boynton Beach**

Open Market Model



Property
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PACE in
Florida

Florida PACE Funding Agency

- **Formed in June 2011 by an interlocal agreement between City of Kissimmee and Flagler County. Bond authority granted up to \$2 Billion.**
- **Current Participants:**
 - **City of Kissimmee**
 - **Flagler County**

Warehouse-Bond Model



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Ygrene Energy Fund

- **Ygrene Energy Fund Florida LLC is a joint venture between Ygrene Energy Fund and EcoAsset Solutions LLC, a wholly owned subsidiary of Lykes Brothers, Inc. of Tampa, Florida**
- **Current Participants:**
 - **Miami-Dade Green Corridor – a group of cities and towns in Miami-Dade County led by Miami and Cutler Bay, FL**

Warehouse-Bond Model



Property Assessed Clean Energy:

PACE in Florida

Warehouse Model

- **PACE loans are aggregated (packaged) and sold into a secondary capital market, typically by a primary financial institution**

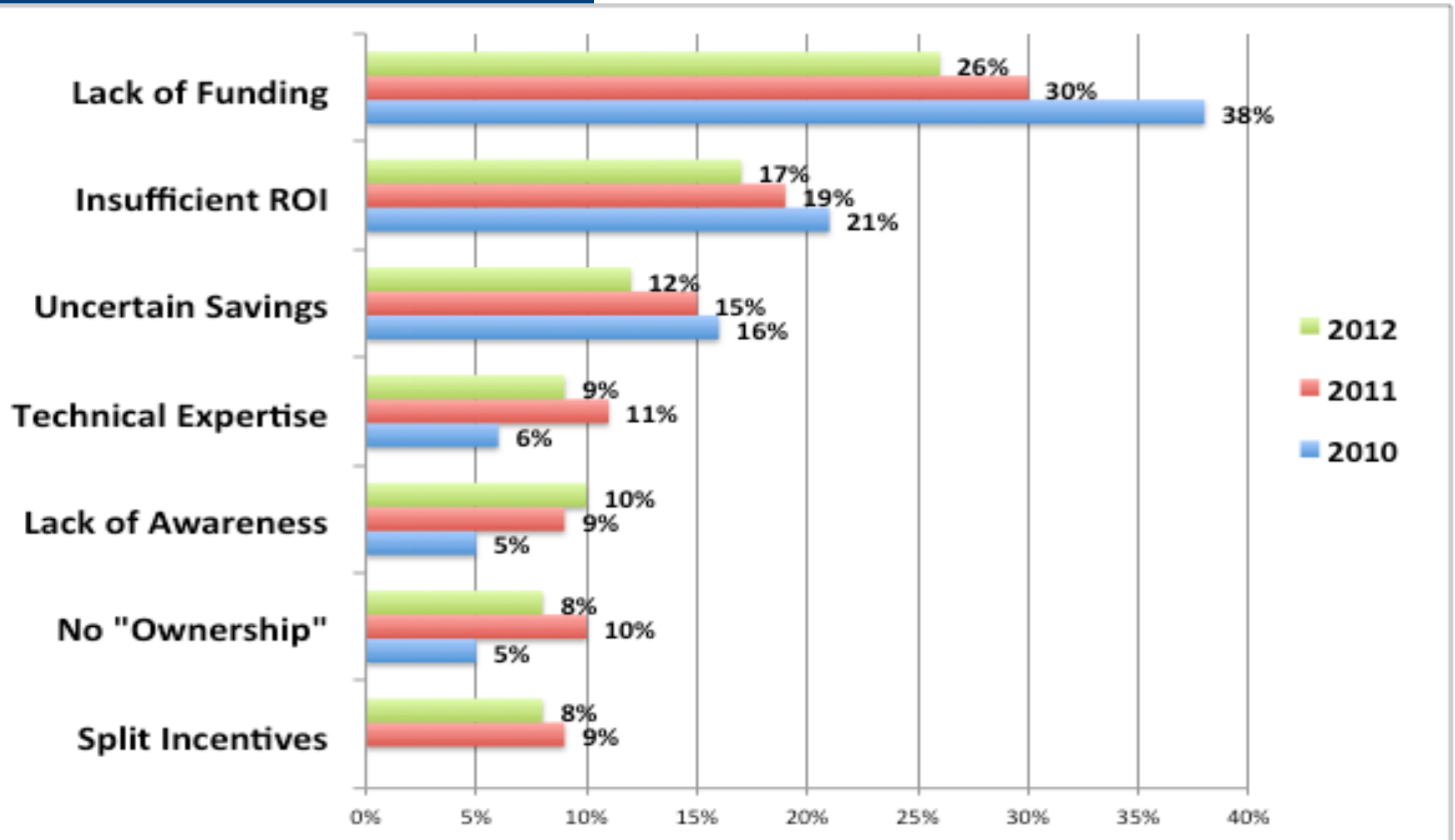
Pooled Bond Model

- **PACE loans are funded either from an initial or series of bond issuances. Or an issuance can take out a group of warehouse packages**

Open Market Model

- **PACE loans are funded by various financial institutions, including the existing mortgage lender, for each viable project**

+ BARRIERS AND TRENDS



SOURCE: Institute for Building Efficiency: JCI/IFMA 2012 Energy Efficiency Indicator



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In Pursuit of PACE:

- **4 Local Governments in some phase of procurement**
- **5 more researching or recently completed research**

Programs in Other States:

- **Sonoma County, CA**
- **CEFIA (Connecticut)**
- **Efficiency Maine**
- **Los Angeles, CA**



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PACE in
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ISSUES AND IMPACTS:

**Lender Consent /
Acknowledgement**

**Contractor Certification /
Qualifications**

**Behavioral Changes /
Infrastructure**

Appraised Value adoption

- **HERS / HomeScore**
- **Commercial Asset Rating**



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Energy:
PACE in
Florida

RESOURCES:

- **PACENow**
- **Berkeley National Lab**
- **Sonoma County PACE
Replication Guide**
- **Local Governments**
- **NASEO**



Thank you!

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Residential PACE Update

Erin Deady, ESQ.



Property Assessed Clean Energy:

Residential Update

- Federal Agencies (DOE & FHFA)
- FHFA regulates, and is Conservator of, GSEs (HERA of 2008)
- “GSEs” - \$5.5 trillion worth of residential mortgages
- Banks service loans for Fannie Mae and Freddie Mac



Property Assessed Clean Energy:

Residential Update: The Impact

- Seniority of lien
- “Unusual” risk to mortgages
- “Assessment” v. “loan”
- Public purpose served
- Consistency across programs



Property Assessed Clean Energy:

Residential Update: Status

- Conflict of federal and state law
- Final agency action to challenge (Guidance v. Order)- APA claim has “legs”
- Rulemaking pursuant to Preliminary Injunction
- Final rule stayed
- Advanced Notice of Rulemaking (33,000 comments)
- Draft Rule (Released June 15- Comments due September 13)
- Stay the course-No PACE
- Link PACE to personal credit (defeats purpose)
- Standardize underwriting criteria (hard issue)



Property Assessed Clean Energy:

Residential Update: Status

- 8/9/12: 9th Circuit rules: FHFA you violated APA
- Defendants did not present “...evidence that the FHFA weighed the costs associated with risk exposure produced by PACE programs against the economic benefits of allowing PACE programs to continue ... and build a market for residential energy conservation projects...”
- “FHFA’s PACE directive amounted to substantive rulemaking...”
- Plaintiffs: you are right on APA claims
- Promulgate the rule



Property Assessed Clean Energy:

Residential Update: Status

- Programs developing in Florida, they differ in three respects:
 - Where you get your money?
 - Who has to sign off?
 - Do you include residential?
- Municipalities and counties across Florida are presently moving on PACE
- Some local governments are executing Interlocal Agreements to join existing programs
- Some are info collecting or bidding it out (5 active vetting processes: Broward, Hillsborough, Lee, Gulfport & North Port)



Questions?
Thank you!

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