



County of Monterey

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Board Report

File #: 14-832, **Version:** 1

Receive an update on the California Statewide Communities Development Authority (“CSCDA”) sponsored CaliforniaFIRST Property Assessed Clean Energy (“PACE”) residential program and approve the launch of the program in the unincorporated portion of Monterey County.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

Receive an update on the California Statewide Communities Development Authority (“CSCDA”) sponsored CaliforniaFIRST Property Assessed Clean Energy (“PACE”) residential program and approve the launch of the program in the unincorporated portion of Monterey County.

SUMMARY AND DISCUSSION:

This Board approved participation in the CaliforniaFIRST PACE program in 2010. Shortly thereafter, the Federal Housing Finance Administration issued a guidance letter stating that PACE violates mortgage contracts, tightened underwriting requirements in PACE communities, and required larger down payments for all mortgages issued in communities that offer PACE financing. CSCDA discontinued the CaliforniaFIRST program based on that letter.

In response, Governor Brown and the California legislature set aside \$10 million for a PACE reserve fund to make mortgage holders whole in the event of foreclosure. The California Alternative Energy And Advanced Transportation Financing Authority (“CAEATFA”), a division under the State Treasurer, voted unanimously on February 18, 2014 to approve the PACE reserve regulations, which became operational the 2nd week of March. CSCDA voted March 6 to re-launch residential PACE.

On May 13, 2014, this Board approved the Figtree and HERO PACE programs, subject to receiving update, prior to program launch, on the status of the FHFA position letter, details of the projects that can be financed through the PACE program, details of fees and interest rates to be charged, and details as to program administration. In addition, it was requested by this Board that approval be obtained prior to any residential PACE program launch in the unincorporated portion of Monterey County.

CSCDA voted on July 17, 2014 to develop an Open PACE program which would include not only CaliforniaFIRST residential and commercial programs administered by Renewable Funding, but also the HERO residential and commercial program administered by Renovate America and the AllianceNRG PACE residential and commercial program administered by a consortium consisting of Deutsche Bank, Leidos Engineering and Counterpointe Energy Solutions. The additional residential PACE programs cannot originate any liens prior to January 1, 2015 in order to allow the CaliforniaFIRST residential program to fully implement its residential program and to allow sufficient time to conduct the validation hearings on behalf of the Open PACE program sponsored by CSCDA. The additional commercial PACE programs can begin immediately because lender consent must be obtained prior to establishing a tax lien.

No adversarial action has been initiated by FHFA against any of the residential programs currently operating anywhere in the United States. In California alone, the HERO program has funded over 7,000 residential

projects for a total of over \$130 million, mostly in Riverside County. Residential PACE program administrators have stated that they believe that while FHFA has not withdrawn its position letter, that no remedial action will be initiated unless mortgagors begin to experience losses from defaults on PACE lien properties. Further, the CAEATFA program will be allowed to demonstrate how potential losses will be covered in the event of defaults or foreclosures.

The authorization to launch in the unincorporated portion of Monterey County requested today would allow Renewable Funding to launch the CaliforniaFIRST residential program. A list of projects that can be financed is attached, along with a fee schedule showing interest rates related to the various terms and fees. Marketing of this program will be conducted primarily through registered contractors. A link will be placed on the County website to facilitate resident inquiries. Implementation will require ITD staff to place the link of the website. Auditor-Controller staff time to place liens on the tax roll is reimbursed by the statutory fee of 0.25%. No other staff time will be required.

OTHER AGENCY INVOLVEMENT:

The Alternative Energy Committee has recommended adoption of the program launch.

FINANCING:

The approval of the CaliforniaFIRST residential PACE program launch has no financing impact to the County.

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Attachments:

Sample CaliforniaFIRST Residential Application

Interest Rate and Fee Schedule

List of Approved PACE projects