

**CITY OF ALBANY  
MEMORANDUM**

DATE: May 20, 2015

TO: Sustainability Committee

FROM: Claire Griffing, Sustainability Coordinator

SUBJECT: Property Assessed Clean Energy Programs

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**RECOMMENDATION**

Staff recommends that the Sustainability Committee recommend that City Council approve joining the Open PACE Platform to provide additional PACE programs without the requirement of joining additional Joint Powers Authorities (JPAs).

**BACKGROUND**

Property Assessed Clean Energy (PACE) financing programs are an innovative and effective tool for lowering the upfront cost of energy upgrades. PACE programs provide financing for solar installations, energy efficiency, and water upgrades, and in some cases seismic retrofits. The loans are repaid over the assigned term (typically 15 or 20 years) via an annual assessment on the property tax bill. This allows property owners to begin saving on energy costs while they are paying for the upgrades, and in some cases property owners see net gains even with an increased property tax bill.

In July 2010, the Federal Housing Finance Agency (FHFA) objected to the senior lien status that PACE financing shares with other property taxes and assessments and stalled the development of residential PACE programs by directing Fannie Mae and Freddie Mac to avoid buying mortgages with PACE assessments. Commercial PACE was unaffected, and Albany commercial property owners have been able to take advantage of the statewide CaliforniaFIRST PACE program for several years because Albany is a member of the California Statewide Communities Development Authority (CSCDA), a JPA.

The State of California has established the Property Assessed Clean Energy (PACE) Loss Reserve Program to address the concerns raised by FHFA by creating a reserve fund that requires PACE programs to make Fannie Mae and Freddie Mac whole. The Program would compensate first mortgage lenders for losses attributable to PACE loans.

Currently, the City has authorized two PACE providers.

**CaliforniaFIRST**

The CaliforniaFIRST program is administered by the CSCDA. They provide residential and commercial PACE programs in Albany.

**HERO**

The HERO PACE Program is a public-private partnership that was launched in 2011 by the Western Riverside Council of Governments, which acts as a JPA to administer the program. The program was developed as a turnkey program to save other California jurisdictions time and resources in developing a standalone program. Over 150,000 products are eligible for HERO financing, and eligible projects include weatherization,

energy and water efficiency, solar PV and thermal systems, and electric vehicle charging stations. HERO has received a number of awards, including the Southern California Association of Governments President's Award for Excellence, the Urban Land Institute Best of the Best, the United States Green Building Council California Top 10 Green Building Policies for Municipalities, and the Governor's Environmental and Economic Leadership Award.

## **DISCUSSION**

Benefits of PACE financing programs include the following:

- Provides an alternative financing option for energy, water and seismic upgrades
- Savings: Energy prices continue to rise. Installing energy and water efficiency upgrades and renewable energy can lower utility bills. PACE programs have the potential to save property owners money while moving the City toward its CAP goals.
- Not a personal loan or mortgage: The PACE assessment in effect is not a personal obligation of the property owner through a conventional loan or mortgage but an assessment on the property
- Program is voluntary: Only property owners who choose to finance improvements will have assessments placed on their property
- If the City were to implement a RECO, CECO or mandatory seismic upgrade ordinance in the future, this program could help property owners finance mandated upgrades
- Programs could provide an increase in local sales, payroll and property tax revenue, as well as an increase in jobs
- The City has no financial or staff obligations
- Competition: Multiple PACE programs provide healthy competition that can drive interest rates down; property owners can shop for the best price

The City currently has the option to join two additional PACE programs. A pro/con analysis of these options is detailed below.

### **1. Do nothing**

**Pros:** No additional staff effort would be needed, freeing up resources to work on other City initiatives.

**Cons:** Would limit the amount of PACE program offerings to property owners.

### **2. Join Open PACE**

**Background:** The City of Albany is a member of the California Statewide Communities Development Authority (CSCDA) JPA, which has been operating the California FRIST program for several years. The CSCDA has established the Open PACE platform in order to offer its members a turn-key PACE solution that provides residential and commercial property owners the choice among multiple prequalified PACE financing providers based on their business practices, qualifications, experience and capital commitment to the California PACE market. Currently, the program offers two PACE programs, CaliforniaFIRST and AllianceNRG. See attachments for details on their programs.

**Pros:**

- Provides additional PACE providers for Albany property owners to choose from.
- Does not require joining a JPA because the City is already a member of the CSCDA. Council Members are often wary of joining additional JPAs.
- Reduces the need for staff to vet and join additional PACE programs.
- Similar cities, including Berkeley and El Cerrito, have already joined the Open PACE program.

**Cons:**

- Will require staff time to bring the resolution to Council.

3. Join Ygrene Energy Fund

**Background:** Ygrene is a PACE program based in Santa Rosa with offerings in multiple states. The Sustainability Committee received a presentation from Ygrene in April and asked for more information before recommending that Council join. See attachments for details on their program.

**Pros:**

- Provides additional PACE providers for Albany property owners to choose from.

**Cons:**

- Will require Council to join an additional JPA.
- Will require staff time to conduct additional research and bring the item to Council.
- Joining additional PACE programs like Ygrene may set a precedent to join any PACE program that approaches the City, which would require additional staff resources.
- At this point, no other Alameda County cities have joined Ygrene Energy Fund, which means there will likely be limited availability of contractors to administer the program in the area.

**SUSTAINABILITY IMPACT**

Participation in PACE programs directly supports the City's CAP goals by stimulating investments that will reduce carbon emissions and reduce water consumption. PACE increases affordability, therefore increasing the number of projects completed.

**FINANCIAL IMPACT**

There would be no financial obligation from the City. Administration of PACE programs is funded through property owner fees. Minor existing staff time would be used to post information about the program on the City's website and monitor uptake.

**Attachments**

1. Open PACE and AllianceNRG Background Information
2. Ygrene Works FAQs
3. Ygrene Company Fact Sheet
4. Ygrene JPA Agreement
5. Ygrene Sample Resolution