

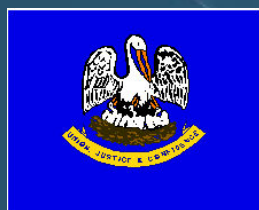


VA Energy and Environment Commission  
September 21, 2010

# Who is SEEA?

The Southeast Energy Efficiency Alliance builds regional partnerships to promote and achieve energy efficiency for a cleaner environment, a more prosperous economy, and a higher quality of life.

- Covering 11 southeastern states
- 71 million residents





# Barriers to Energy Efficiency...

- Transaction costs
- Lack of information
- Uncertainty about benefits
- High upfront cost
- Split incentives
- Others...





# Financing Instruments

- Off Bill Financing
- On Bill Utility Financing
- Revolving Loan Funds
- On Bill Property Tax/Solid Waste Financing
- Tax-Exempt and Taxable Bonds
- Non-Debt
  - Power Purchase Agreement
  - Shared Savings Agreement
  - Municipal Lease





# Lender Concerns

- Administrative Burden
- Creditworthiness
- Sufficient Collateral
- Verification of Savings
- Transaction Costs
- Average Loan Size
- Participation Rates
- Credit Enhancement



# How it works:

- City or county creates land-secured financing district (TAD, Enterprise Zone, etc.) .
- Property owners voluntarily sign up for program.
- Local government conducts energy audit for each property to determine areas of best improvement.
- Property owner selects certified contractor from pre-approved list.
- Property owner receives loan from Clean Energy Fund or city/county pays contractor directly.
- Property owner repays loan through property tax over 20 years (payments structured to be less than energy savings).



# Palm Desert – Energy Program

- Loans are for EE and Solar
- Residential and Commercial have reduced electricity bill with no out of pocket expenses
- If home or business is sold, the new buyer can assume the payment
- Loans have a min. of \$5K and no maximum
- Loans are subject to credit ratings or credit checks
- Interest rate is fixed at or near 7% and paid bi-annually through property taxes
- Loans can be used EE improvements and labor to install. EE includes
  - HVAC
  - Pool pumps
  - Windows, doors, skylights
  - Window films
  - Tankless hot water
  - White roofs and coatings
  - RE such as fuel cells and PV systems



# Berkeley First- Energy Financing District

- \$1.5 Million solar financing pilot program
- Sold out in just minutes
- Funding for the project comes from taxable, micro bonds issued by the City but held by the financing partner
- Paid over 20 years with an annual Special Tax added to property bills
- Implied interest rate was 7.75%
- Special tax will be secured by a lien on the subject property, which ranks senior to the first mortgage.
- If a property owner fails to pay ad valorem property taxes for 5 years, the county will foreclose on the property and collect delinquent taxes.





# Value of Pace Like Program

- **Removes many of the financial hurdles to installing solar systems and energy efficiency upgrades**
- No upfront cost to the property owner
- Payments fixed for 20 years
- Customer chooses contractor/installer
- Property tax transfers to the new owner when the property is sold
- Utility bills decrease due to energy savings



# Benefits of a Pace Like Program

- Low risk financing tool for cities and counties
- Helps cities and counties meet their climate and energy goals
- Program costs can be paid out of the financing
- No liability or other exposure to a city's general fund
- Financing mechanism well known to local governments and bond market
- Promotes the "green" economy, creates green jobs



# Finance Overview- Pros and Issue

- Repayment Security
- **Senior lien on the property**
- Entire property secures repayment, not just capital improvement
- No liability to city/county general fund
- Funding Options
- Municipal Bond Market/ Private Bond Placement
- City/County/State loans its own money
- Commercial Bank



# FEDERAL HOUSING FINANCE AGENCY

## Statement – July 6, 2010

"Today, FHFA is directing Fannie Mae, Freddie Mac and the Federal Home Loan Banks to undertake the following prudential actions:

For any homeowner who obtained a PACE or PACE-like loan with a priority first lien prior to this date, FHFA is directing Fannie Mae and Freddie Mac to waive their Uniform Security Instrument prohibitions against such senior liens."





# Regional Finance Programs

- Virginia – SB 1212
- Louisiana – SB 224
- Georgia – HB 1388
- Florida – HB 7179
- North Carolina – HB 1389

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