



DATE: January 9, 2017

TO: Council Sustainability Committee

FROM: Director of Utilities & Environmental Services

SUBJECT

Statistics on Property Accessed Clean Energy Projects

RECOMMENDATION

That the Committee receives and accepts this information report related to the total number of PACE-funded projects completed in Hayward as of December 2016.

SUMMARY

This is an informational report on Property Accessed Clean Energy (PACE) funding. The purpose of the report is to update the Committee on the total number of PACE-funded projects that have been completed in Hayward as of December 2016.

BACKGROUND AND DISCUSSION

Property Assessed Clean Energy (PACE) programs allow property owners to finance energy and water efficiency improvements and pay off the debt through annual installments on their property tax bill. The intent of PACE programs is to provide an additional means of financing to make environmentally sustainable property improvements more affordable and accessible to property owners. The potential benefits of PACE financing over other financing options include 100% financing for eligible improvements, a longer repayment period of up to twenty years, and the reliability of pre-approved contractors.

Although the City of Hayward has not received any complaints from residents utilizing the PACE program, as with most financing mechanisms, PACE programs can present risks to consumers. A few cases have been reported in California related to contractors misrepresenting financing terms to customers. In these cases, the related PACE Program has removed the contractor from its list of certified contractors and has refused to finance the proposed work.

In addition, the State of California is now monitoring many PACE Programs through its California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA). The Authority administers the State's Loss Reserve Program, which makes first mortgage lenders whole for losses if a PACE lien is in foreclosure. To date, CAEATFA has not received

any claims on the loss reserve. CAEATFA collects statewide information on PACE participation, which can be found here: www.treasurer.ca.gov/caeatfa/pace/

PACE Projects in Hayward

The City Council has authorized the seven PACE programs listed below to operate in Hayward. All of the programs serve commercial customers and five serve residential customers.

An inquiry was received about the possibility of the City using PACE for upgrades to City facilities. None of the programs below serve municipal customers because municipalities are exempt from property tax and therefore lack the mechanism to repay the PACE financing.

Residential and Commercial Properties

- [CaliforniaFIRST](#) – Authorized January 5, 2010 (see [Council report](#))
- [AllianceNRG](#) – Authorized July 7, 2015 as part of OpenPACE (see [Council report](#))
- [HERO Program](#) – Authorized July 7, 2015 (see [Council report](#))
- [PACE Funding](#) – Authorized July 7, 2015 as part of OpenPACE (see [Council report](#))
- [Ygrene Funding](#) – Authorized November 3, 2015 (see [Council report](#))

Commercial Properties Only

- [Figtree Financing](#) – Authorized January 29, 2014 (see [Council report](#))
- [CleanFund](#) – Authorized July 7, 2015 as part of OpenPACE (see [Council report](#))

PACE Program Participation – Attachment II summarizes the number of projects approved and funded for each PACE program to date. In addition, some of the PACE Programs have provided data on the kilowatts of solar installed and/or energy saved and the estimated greenhouse gas emissions reductions and water savings.

FISCAL AND ECONOMIC IMPACTS

There is no fiscal impact to the City's General Fund or other City funds by participating in PACE programs. PACE programs use private sector capital to provide property owners with funding.

The primary economic benefit of allowing an open PACE market in Hayward is that it increases the total amount of financing available to Hayward property owners for improvements. As mentioned above, there are also potential economic risks to property owners when they take on PACE financing. In the worst case, cost savings may not materialize as predicted and the owners could end up owing more than they can afford, which could result in increased foreclosures. However, this has not been the experience of PACE programs. On the contrary, most PACE programs claim the default rates of their property owners are lower than nationwide averages, which is reflected by the fact that there have been zero claims on the State's loss reserve to date.

SUSTAINABILITY FEATURES

Energy: Access to PACE funding enables solar photovoltaic installations and energy efficiency upgrades – both of which reduce the community’s reliance on fossil fuels.

Air: Access to PACE funding enables energy efficiency upgrades, which may reduce the use of wood-burning stoves/fireplaces and related emissions.

Water: Access to PACE funding enables water upgrades, which reduce Hayward’s per capita water consumption.

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