

NATIONAL ASSOCIATION OF COUNTIES (NACo) – PROPOSED DRAFT

RESOLUTION ON PROPERTY ASSESSED CLEAN ENERGY (PACE) PROGRAMS

Issue: Supporting PACE programs nationally

Proposed Policy: NACo supports funding for Property Assessed Clean Energy (PACE) programs and supports their treatment by Federal regulators as a traditional tax assessment program with first lien status.

Background: NACo policy supports federal funding and other incentives to promote nationwide energy conservation efforts. The Property Assessed Clean Energy (PACE) program is an innovative local government financing tool that allows home owners and business owners to apply for funds to pay for energy efficiency and renewable energy improvements. Participation in the program is voluntary and repayment is accomplished through a property tax assessment over a period of time equal to the life of the installed improvements.

Over 200 local jurisdictions across the country have established or are in the process of establishing PACE programs. However, on July 6, the Federal Housing Finance Administration (FHFA) issued a statement in which it concluded that PACE was not a “traditional tax assessment” and took a series of steps that will prevent PACE assessments from being considered senior to mortgage obligations, as other municipal assessments are treated, and will severely limit or eliminate in the use of PACE bonds. The FHFA’s action threatens the viability of residential PACE programs, which in turn will hamper job creation and deny homeowners an opportunity to responsibly reduce their energy consumption, reduce their utility bill, and benefit their community. This threat to PACE programs also undermines the significant efforts of the Administration and Congress to assist local governments implement innovative energy efficiency programming using economic stimulus funding. To date, PACE programs across the nation have received over \$XXX million in American Recovery and Reinvestment Act funding.

PACE is not a loan, but instead is built on traditional tax assessments, which local governments have managed for over 100 years. PACE was not designed to increase the risk of homeowners, lenders, or the financial system, and was created with stringent operating rules, to ensure a net positive benefit to all parties. When fully implemented, PACE can achieve significant energy savings and provide positive benefits to the environment.

Several members of Congress, including House Financial Services Committee Chairman Frank, and House Energy and Commerce Committee Chairman Waxman, 12 members of the Senate, and YY Governor’s throughout the country have contacted the Administration to request that PACE programs be allowed to move forward and have first lien priority over previously recorded mortgages. However, in light of FHFA’s most recent action, it is increasingly likely that Congress will be required to preserve the integrity, autonomy and priority of local governments’ property tax assessments.

Rural/Urban/Fiscal Impact:

Sponsors: Los Angeles Co. (CA); Sonoma Co. (CA); Santa Barbara Co. (CA); Montgomery Co. (MD)