

## Local Government PACE Survey Results Analysis

**Background:**

Staff conducted a survey via Survey Monkey to obtain information from other counties about their experience with commercial PACE. The survey was sent to Auditor Controller, Treasurer Tax Collector, Clerk-Recorder staff and staff known to be involved with PACE program administration at other local governments as well as distributed via the Local Government Sustainable Energy Coalition membership listserv. Approximately 32 counties responded to the survey although it should be noted that not all counties responded to all survey questions. In fact, many counties only answered the first few questions. A summary of the responses are outlined below.

**Q1: What Local Government do you represent?**

Counties Responding	
Amador County	Nevada County
Butte County	Orange County
Calaveras County	Placer County
City and County of San Francisco	Riverside County
Colusa County	Sacramento County
Contra Costa County	San Benito County
Humboldt County	San Diego County
Del Norte County	San Joaquin County
Fresno County	San Luis Obispo County
Glenn County	Santa Clara County
Kern County	Solano County
Los Angeles County	Sonoma County
Marin County	Sutter County
Mariposa County	Tulare County
Monterey County	Tuolumne County
Napa County	Ventura County

**Q2: Has your county established a commercial PACE financing program for your unincorporated area?**

County	Yes	No	County	Yes	No
Amador County		x	Orange County	x	
Butte County	x		Placer County	x	
Calaveras County		x	Riverside County	x	
County of San Francisco	x		Sacramento County	x	
Colusa County	x		San Benito County	x	
Contra Costa County		x	San Diego County	x	
Humboldt County	x		San Joaquin County	x	
Del Norte County		x	San Luis Obispo County	x	
Fresno County	x		Santa Clara County		x
Glenn County		x	Solano County		x
Kern County	x		Sonoma County	x	
Los Angeles County	x		Sutter County		x
Marin County	x		Tulare County	x	
Mariposa County	x		Tuolumne County		x
Monterey County	x		Ventura County	x	
Napa County	x				
Nevada County		x	<b>Total</b>	<b>22</b>	<b>10</b>

**Q3: Has your county considered establishing a commercial PACE program and decided against it and, if so, why?**

Respondents stated that they had not moved forward with Commercial PACE for the following reasons 1) Unsure why 2) Felt that there were unclear administration questions that needed to be answered or 3) Commercial PACE got caught up with the issues surrounding residential PACE.

**Q4: Does your county offer any alternative energy project financing incentives?**

All respondents replied “No”

**Q5: What would have to change in order for your county to consider establishing a commercial PACE program?**

Respondents stated that the following things would have to change in order to move forward with a commercial PACE program: 1) More public interest 2) Staff would need to make the case that commercial PACE is different enough from residential PACE to allay the concerns

**Q6: Many residential PACE programs were put on hold in 2010 given the concerns expressed by the Federal Housing Finance Authority (FHFA) and Office of the Controller of the Currency (OCC) which regulate mortgage lenders. To our knowledge, these agencies have not officially changed their positions. What ultimately made your county feel comfortable with making commercial PACE available to property owners in your jurisdiction?**

The majority of respondents stated that requiring the current mortgage holder to provide their consent to PACE financing before the property owner could obtain PACE financing made them feel comfortable. Several others commented that the legal language utilized by 3<sup>rd</sup>-Party PACE administrators in their documents also made them feel comfortable.

**Q7: How many loans has your commercial PACE program made? Over what period of time?**

Respondent	# of Loans	Period of time
Los Angeles County	6	6 years
Colusa County	5	1 year
Monterey County	1	n/a
Fresno County	2	2 years
Kern	30	3 years
Placer	22	6 years
Sonoma	66	7 years

**Q8: How is your Commercial PACE program administered?**

Only 10 counties answered this question. Based on our research the majority of counties have selected a third-party model.

Answer Choices	Responses
By a public agency (e.g. the County or a JPA)	50.00% 5
By one third-party "turnkey" administrator (e.g. HERO or CaliforniaFirst, Ygrene etc.,)	30.00% 3
By several third-party "turnkey" administrators ("open market")	10.00% 1
Hybrid public agency and third-party (meaning a public agency develops and operates the program and outsources certain program elements to a third-party)	10.00% 1
Total	10

**Q9: Explain the types of costs your county incurred to set up PACE program.**

Responses to this question ranged from "minimal" costs to for 3<sup>rd</sup>-Party administered program to "\$1.2 million" in startup costs for a public entity administered model. These responses revealed that costs vary widely based on administration model and individual counties' levels of risk aversion and overall involvement with the PACE program.

**Q10: Please explain the types of costs your county incurs to operate the Commercial PACE program on an ongoing basis.**

Responses to this question ranged from “minimal” costs for 3<sup>rd</sup>-Party administered program to “\$1.4 million” in ongoing costs for a public entity administered model that included residential and commercial PACE.

**Q11: Able to fully recover costs?**

The majority of respondents replied “yes,” but several stated “no” or said they were “unsure.”

**Q12: If you’re working with a third party administrator, please describe what costs were included in the fee agreement and whether you negotiated any revenue sharing mechanisms.**

The majority of respondents stated that they do not share in any revenue, but they are reimbursed for costs to place the liens on the tax roll.

**Q13: If you’re working with a third party administrator, please describe any areas of the standard establishing documents or agreements that were insufficient or needed improvement.**

Several respondents noted that improvements to customer disclosures were necessary.

**Q14: What are the costs to the borrower (fees, points, closing costs)?**

The respondents did not answer this question with enough information to be useful.

**Q15: What interest rate do the commercial loans carry?**

Respondents indicated a range of 6-10%, plus a variety of fees.

**Q16: Have any of the Commercial PACE borrowers defaulted? If working with a third party administrator, how do your contracts or fee agreements address instances of property owner non-payment, default or collections?**

All respondents answered “no” to this question.

**Q17: What process does the county undergo when a Commercial PACE borrower defaults?**

The majority of respondents indicated that if a commercial PACE borrower defaulted they would follow their county’s normal tax defaulted property process. One respondent stated that they would also strip the assessment off the roll.

**Q18: Are properties with a Commercial PACE assessment Teetered?**

The majority of respondents replied that they do not Teeter.

**Q20: Have any of the program participants been required to pay off their Commercial PACE assessments in order to sell their properties or refinance their mortgages?**

The majority of respondents replied “no” to this question. However, one county mentioned that this has taken place twice.

**Q21: Have you experienced any problems as a result of your commercial PACE program? Please list specific consequences to the county or consumers.**

Generally, the answer was “no,” but some counties mentioned that the complex legal structure of commercial property ownership and the lender consent requirement made it difficult to close projects.

**Q22: Are you aware of any legal cases pending or under investigation with your District Attorney’s office related to commercial PACE?**

All respondents replied “no” to this question.

**Q23: Does your District Attorney’s office or County Counsel have any concerns related to commercial PACE? If so, please list.**

All respondents replied “no” to this question.

**Q24: Knowing what you know now, what would you have done differently in setting up your Commercial PACE program?**

All respondents replied “no” to this question.