
EQUINOX CENTER

A Primer on Property Assessed Clean Energy (PACE) Programs in the San Diego Region

What is the PACE Program

In July 2008, the California State Legislature passed Assembly Bill (AB) 811, commonly referred to as Property Assessed Clean Energy (PACE). The law allows local governments to offer fixed rate loans to eligible residential and commercial property owners in order to offset upfront installation costs of sustainable energy technology such as solar panels. The legislation also allows property owners to repay their loans over 20 years through their property tax bills. If the properties are sold, the loans can be transferred to new property owners, reducing concern that original property owners would be financially responsible for devices that they no longer own.

Status of PACE Programs in the San Diego Region

There are two kinds of PACE programs being launched in our region—one by the County and one by the City of San Diego. By joining [CaliforniaFIRST](#), a statewide coalition of municipalities who have opted to implement PACE programs, the County of San Diego became the regional lead agency of CaliforniaFIRST. Municipalities that want to join the County's [plan](#) can submit proposals to participate in the pilot program. Cities that have submitted and approved proposals to participate in the program are: Carlsbad, Chula Vista, Coronado, Del Mar, Encinitas, Escondido, La Mesa, Lemon Grove, Oceanside, Poway, Santee, and Solana Beach. The expected rollout date of the program for these municipalities is September 2010.

The City of San Diego has spearheaded its own program independent of the CaliforniaFIRST initiative. [The City of San Diego Clean Generation Program](#) differs slightly from the County's program. The city will create a new financing district that city property owners can opt into in order to access special financing to spread the cost of improvements plus interest over a twenty-year period. These costs are paid via the owner's property tax bill, which is passed over to the new owner if the property is sold. This special financing district is not a physical district, but rather an artificial mechanism that cities often use for collecting tax revenue for specific purposes. In addition to financing solar panel installations, homeowners can also finance general conservation improvements to their property, including energy efficiency, water conservation, and pollution control upgrades. The rollout date for the City is currently being decided upon. The [Center for California Sustainable Energy](#) will be assisting in the implementation of both programs.

There is one potential roadblock to the final implementation of these programs. Currently, money borrowed via these financing vehicles is repaid through property taxes. As both San Diego programs are designed, in the event of default this money must be repaid before all other debts—including mortgage payments. The [Federal Housing Finance Agency](#) (FHFA) recently expressed concern about this feature of the proposals. This agency believes that energy efficient loans shouldn't take priority over mortgage repayment. One PACE program in Boulder Colorado, the ClimateSmart Loan Program, was recently put on hold because of this controversy. The moratorium on an otherwise successful program triggered Colorado Governor Bill Ritter to write a [letter](#) to the FHFA asking for clarification on PACE loans. Until this issue is resolved, pilot programs may face challenges regarding implementation.

Proposed Costs to Homeowners

The County of San Diego is as of yet unsure of the potential costs to the homeowner; the implementation plan is still being processed. The [San Diego City PACE](#) program proposal anticipates that a twenty-year program loan will include an interest rate of approximately 8.74%. Other costs include a \$300 application fee and potential administrative costs, which are estimated to be approximately \$106 dollars annually per property. Property owners in San Diego must also fulfill several requirements before being approved for the program. These requirements ensure that homes maximize their energy efficiency before installing solar panels. Some conservation improvements cited are updating pool pumps, replacing outdated air conditioners and undergoing an energy audit. Financing will be capped at ten percent of the value of the property; maximum loan amounts will not exceed \$50,000 and the smallest loan will not be lower than \$5,000. The county's CaliforniaFIRST program will provide loans that will range between \$5,000 and \$75,000 dollars. The program will require at least twenty percent equity in order to participate in the program.

Other PACE Programs in California

By early 2009 Berkeley and Palm Desert were able to launch PACE programs. [Palm Desert](#) chose to transfer \$2.5 million from its general fund to promote its PACE program. The City of Berkeley's solar financing program, [Berkeley FIRST](#) issued \$1.5 million for a pilot program of approximately 50 homes. [Sonoma County](#) and [City of Yucaipa](#) have also implemented local PACE programs.

References

BerkeleyFIRST <http://www.berkeleyfirst.renewfund.com/node/79>

CCSE-SDG&E Retrofits and Financing Program – June EWG-slide show

Interview with Matthew Messina, California Center for Sustainable Energy, Monday May 28th.

PACENOW: <http://www.pacenow.org/>

PACE is criticized by Freddie and Fannie: <http://www.grist.org/article/2010-06-23-fannie-and-freddie-attack-PACE-property-assessed-clean-energy>

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<http://www.signonsandiego.com/news/2009/dec/09/county-oks-participation-in-solar-energy-program/>

Solar Plan for San Diego: <http://legacy.signonsandiego.com/news/metro/20081205-9999-1n5solar.html>