

File No. 170483

Committee Item No. 15  
Board Item No. \_\_\_\_\_

**COMMITTEE/BOARD OF SUPERVISORS**  
AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Sub-Committee Date July 20, 2017

Board of Supervisors Meeting Date \_\_\_\_\_

**Cmte Board**

- Motion
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- Introduction Form
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- Public Correspondence

**OTHER (Use back side if additional space is needed)**

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Completed by: Linda Wong Date July 13, 2017  
Completed by: Linda Wong Date \_\_\_\_\_

1 [Authorizing Inclusion of City Properties in Golden State Finance Authority Community  
2 Facilities District No. 2014-1 (Clean Energy) Property-Assessed Clean Energy Programs]

3 **Resolution authorizing inclusion of properties within the City and County of San**  
4 **Francisco's territory in the Golden State Finance Authority Community Facilities**  
5 **District No. 2014-1 (Clean Energy) Property-Assessed Clean Energy Program to finance**  
6 **renewable energy improvements, energy efficiency and water conservation**  
7 **improvements, electric vehicle charging infrastructure, and other authorized**  
8 **improvements.**

9  
10 WHEREAS, The Golden State Finance Authority, a joint exercise of powers authority  
11 ("Authority"), authorized and existing pursuant to the Joint Powers Act (Government Code  
12 Section 6500 *et seq.*) and that certain joint exercise of powers agreement, dated as of  
13 July 1, 1993, as amended to date (including an amendment changing its name from the  
14 California Home Finance Authority to the Golden State Finance Authority); has established  
15 the Community Facilities District, CFD No. 2014-1 (Clean Energy) ("District") in accordance  
16 with the Mello-Roos Community Facilities District Act, set forth in California Government Code  
17 Section 53311 through 53368.3 ("Act"); and

18 WHEREAS, The City and County of San Francisco ("City") is an Associate Member of  
19 the Authority and desires to participate in the programs of the Authority and to assist property  
20 owners within the territory of the City in financing the cost of installing Authorized  
21 Improvements (as defined below) through joining the District; and

22 WHEREAS, The purpose of the District is to finance or refinance (including the  
23 payment of interest) the acquisition, installation, and improvement of energy efficiency, water  
24 conservation, renewable energy and electric vehicle charging infrastructure, and such other  
25

1 improvements as may be authorized by law from time to time, permanently affixed to private  
2 or publicly-owned real property (the "Authorized Improvements"); and

3 WHEREAS, The City is committed to development of renewable energy generation and  
4 energy efficiency improvements, reduction of greenhouse gases, and protection of the  
5 environment; and

6 WHEREAS, Under the Act, the Legislature has authorized a parcel within the territory  
7 of the District to annex to the District and be subject to the special tax levy of the District only  
8 (i) if the city or county within which the parcel is located has consented, by the adoption of a  
9 resolution, to the inclusion of parcels within its boundaries in the District, and (ii) with the  
10 unanimous written approval of the owner or owners of the parcel when it is annexed  
11 ("Unanimous Approval Agreement"), which, as provided in section 53329.6 of the Act, shall  
12 constitute the election required by the California Constitution; and

13 WHEREAS, The City wishes to provide innovative solutions to its property owners to  
14 achieve energy efficiency and water conservation and in doing so cooperate with Authority in  
15 order to efficiently and economically assist property owners within the City in financing such  
16 Authorized Improvements; and

17 WHEREAS, The City will not be responsible for the conduct of any special tax  
18 proceedings; the levy and collection of special taxes or any required remedial action in the  
19 case of delinquencies in the payment of any special taxes in connection with the District; now,  
20 therefore, be it

21 RESOLVED, That the Board of Supervisors finds and declares that properties in the  
22 territory of the City will be benefited by the availability of the Authority CFD No. 2014-1 (Clean  
23 Energy) to finance the installation of the Authorized Improvements; and, be it

24 FURTHER RESOLVED, That the Board of Supervisors hereby consents to inclusion in  
25 the Authority CFD No. 2014-1 (Clean Energy) of all of the properties in the territory of the City

1 to the Authorized Improvements, upon the request of and execution of the Unanimous  
2 Approval Agreement by the owners of such properties when such properties are annexed, in  
3 compliance with the laws, rules and regulations applicable to such program; and to the  
4 assumption of jurisdiction thereof by Authority for the purposes thereof; and, be it

5       FURTHER RESOLVED, That the consent of the Board of Supervisors constitutes  
6 assent to the assumption of jurisdiction by Authority for all purposes of the Authority CFD  
7 No. 2014-1 (Clean Energy) and authorizes Authority, upon satisfaction of the conditions  
8 imposed in this resolution, to take each and every step necessary or required for or suitable  
9 for financing the Authorized Improvements; provided however, that the City shall not be  
10 responsible for the conduct of any assessment proceedings, the levy of assessments, any  
11 required remedial action in the case of delinquencies in such assessment payments; and, be  
12 it

13       FURTHER RESOLVED, That the Board of Supervisors hereby finds that adoption of  
14 this Resolution is not a "project" under the California Environmental Quality Act ("CEQA"),  
15 because the Resolution does not involve any commitment to a specific project which may  
16 result in a potentially significant physical impact on the environment, as contemplated by Title  
17 14, California Code of Regulations, Section 15378(b)(4)); and, be it

18       FURTHER RESOLVED, The costs related to the inclusion of properties into the  
19 Authority CFD No. 2014-1 (Clean Energy) will be borne by the Authority, and the City shall  
20 have no liability or responsibility therefor; and, be it

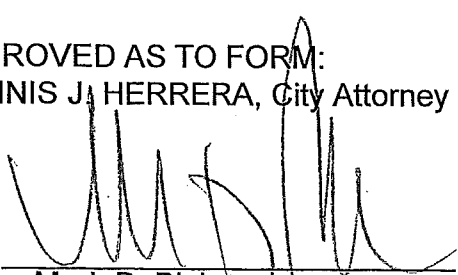
21       FURTHER RESOLVED, That the Controller, the Executive Director of the Department  
22 of the Environment or the Director of the Office of Public Finance or their respective  
23 designees are hereby authorized and directed to coordinate with Authority staff to facilitate  
24  
25

1 operation of the Authority CFD No. 2014-1 (Clean Energy) within the City, and report back  
2 periodically to this Board of Supervisors on the success of such program; and, be it  
3 FURTHER RESOLVED, That the Controller, the Director of the Environment, the Director of  
4 the Office of Public Finance and their respective designees are hereby authorized and  
5 directed to execute and deliver such certificates, requisitions, agreements and related  
6 documents as are reasonably required by the Authority for the inclusion of properties to  
7 Authority CFD No. 2014-1 (Clean Energy) to finance the installation of the Authorized  
8 Improvements; and, be it

9 FURTHER RESOLVED, That this Resolution shall take effect immediately upon its  
10 adoption.

11  
12 APPROVED AS TO FORM:  
13 DENNIS J. HERRERA, City Attorney

14  
15 By:

  
16 Mark D. Blake  
17 Deputy City Attorney

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BOARD of SUPERVISORS



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TDD/TTY No. 554-5227

May 24, 2017

File No. 170483

Lisa Gibson  
Environmental Review Officer  
Planning Department  
1650 Mission Street, 4<sup>th</sup> Floor  
San Francisco, CA 94103

Dear Ms. Gibson:

On April 25, 2017, the Supervisor Mark Farrell introduced the following legislation:

**File No. 170483**

**Resolution authorizing inclusion of properties within the City and County of San Francisco's territory in the Golden State Finance Authority Community Facilities District No. 2014-1 (Clean Energy) Property-Assessed Clean Energy Program to finance renewable energy improvements, energy efficiency and water conservation improvements, electric vehicle charging infrastructure, and other authorized improvements.**

This legislation is being transmitted to you for environmental review.

Angela Calvillo, Clerk of the Board

A handwritten signature in black ink, appearing to read "Linda Wong".

By: Linda Wong, Assistant Clerk

Attachment

c: Joy Navarrete, Environmental Planning  
Jeanie Poling, Environmental Planning

Not defined as a project under CEQA Guidelines Sections 15378 and 15060(c)(2) because it does not result in a physical change in the environment.

Joy  
Navarrete

Digitally signed by Joy Navarrete  
DN: cn=Joy Navarrete, o=Planning,  
ou=Environmental Planning,  
email=joy.navarrete@sfgov.org,  
c=US  
Date: 2017.06.06 15:26:44 -07'00'

## Wong, Linda (BOS)

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**From:** Chien, Richard (ENV)  
**Sent:** Tuesday, June 06, 2017 1:37 PM  
**To:** Cohen, Malia (BOS); Yee, Norman (BOS); Tang, Katy (BOS); Kim, Jane (BOS); Sheehy, Jeff (BOS)  
**Cc:** Farrell, Mark (BOS); Montejano, Jess (BOS); Sesay, Nadia (CON); Blake, Mark (CAT); Rodriguez, Guillermo (ENV); Wong, Linda (BOS)  
**Subject:** June 8th Budget & Finance Committee Agenda Items 4, 5, 6, 7, 8, 9 and 10  
**Attachments:** 6-8-17 PACE staff report\_final.pdf; Open PACE FAQ for realtors.pdf

Dear members of Budget & Finance Committee (Supervisors Cohen, Yee, Tang, Kim and Sheehy):

I am writing in advance of this Thursday's Budget and Finance Committee hearing (where several PACE resolutions will be presented), to share some information related to recent press regarding residential PACE programs and provide you with additional background.

### BACKGROUND

Since the Board voted in 2014 to reauthorize residential PACE programs in San Francisco, approximately \$8 million of private capital has been invested by the programs to help qualified homeowners install a range of energy efficiency, solar, and water conservation improvements on their properties, which will reduce energy consumption by nearly 25,000 MWh and save homeowners approximately \$6 million on their energy bills over the lifetime of the improvements.

PACE overcomes the main barrier to property owners making these types of investments into their buildings, which is the high upfront cost. Through its novel property-based structure, PACE expands property owner access to clean energy. PACE combines local government participation, private capital, and business innovation to deliver positive, mutually beneficial outcomes.

By supporting adoption of the new resolutions to allow three new PACE providers to be able to work in San Francisco, we will be stimulating private competition, expanding access to homeowners, and introducing a small commercial option (currently a gap for the nonresidential sector), while ensuring the highest levels of consumer protections and transparency.

### CONSUMER PROTECTION AND TRANSPARENCY

Here are examples of how PACE stakeholders and policy makers are working together to strengthen and enhance consumer protections and increase transparency:

#### 1. ABAG Regional Collaborative Services Agreement (included in your package)

- This agreement between ABAG and residential PACE Providers mandates clear guidance on enhanced consumer protections, data sharing for program performance monitoring, and promoting coordination with existing ratepayer-supported energy program incentives for programs active in the 9 county region.

2. AB 2693 – Bill went into effect on January 1, 2017 and mandates minimum disclosures for all PACE programs similar to the Mortgage Industry’s “Know Before You Owe” Form including:

- 3-DAY RIGHT to CANCEL
- Clear Financing Statement w/ APR and total financing obligation
- 64+ year old additional call backs to confirm terms
- The bill was originally sponsored by the California Association of Realtors and supported by the PACE industry.
- The CSCDA Open PACE program already provided for the requirements in AB 2693 under its consumer protection policies adopted in December, 2015. The additional legislation simply codifies in statute what had

3. SB 242 – This bill currently in the State legislature, incorporates additional consumer protections and other best practices recommended by PACE Nation (national non-profit) and the U.S. Department of Energy, including provisions that require:

- PACE contractors are properly licensed
- Consumers are evaluated for the ability to pay back the assessment
- Payment relief and protection is provided if the borrower faces temporary financial hardship
- Requires the California Energy Commission (CEC) to establish and maintain list of eligible energy measures

4. CSCDA “Open PACE” and WRCOG’s consumer protections standards (adopted by the two major sponsor JPA’s in 2016)

- The baseline consumer protection policies of the two major sponsoring JPA’s overseeing the largest PACE program operators in California (CaliforniaFIRST and HERO) cover the following areas: (1) Eligibility and Risk, (2) Disclosures and Documentation, (3) Financing Terms, (4) Operations, (5) Post Funding Property Owner Support, (6) Data Security, (7) Privacy, (8) Marketing and Communications, (9) Protected Classes, (10) Participating Contractor Requirements, (11) Eligible Measures, (12) Maximum Cost per Measure, (13) Reporting, (14) Closing & Funding and (15) Oversight.

5. U.S. Department of Energy Best Practices Guidelines – incorporated wide range of stakeholder input to develop and issue “best practices for residential PACE,” including consumer protections issues.

We strongly believe that these efforts will only help residential PACE continue to be the most effective clean energy financing program in history. The department will continue to monitor and work with PACE providers and consumer advocates to ensure the program continues to deliver quality services in an open and fair way for all interested.

Attached are my staff report which should be included in your packet for Thursday’s meeting, as well as a general PACE FAQ from CSCDA (the JPA sponsor of the ‘Open PACE’ program, which includes CaliforniaFIRST).

Please contact me with any questions you may have. Thank you.



Rich

**Richard Chien**

**Senior Program Specialist**

San Francisco Department of the Environment

1455 Market Street, Suite 1200, San Francisco, CA 94103

[richard.chien@sfgov.org](mailto:richard.chien@sfgov.org) (415) 355-3761

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**SF Environment**  
Our home. Our city. Our planet.  
A Department of the City and County of San Francisco

Edwin M. Lee  
Mayor

Deborah O. Raphael  
Director

June 8, 2017

To: Honorable Board of Supervisors, Budget and Finance committee  
From: Richard Chien, Department of the Environment, 415-355-3761  
Subject: Department Staff Report Pertaining to Property Assessed Clean Energy (PACE) Programs  
File numbers 170481, 170485, 170484, 170482, 170483, 170486  
CC: Supervisor Mark Farrell, Mark Blake, Nadia Sesay, Mawuli Tugbenyoh

### RECOMMENDATION

#### 1. **Regional Collaborative Services Agreement (RCSA) File No. 170481**

Authorize the Director of the Department of the Environment to approve and sign the Association of Bay Area Governments (ABAG) member acknowledgement addendums of the Regional Collaborative Services Agreement (RCSA), designed to improve PACE program implementation and consumer protections, as executed between ABAG and the following Residential PACE Providers (RPP's):

1. AllianceNRG Program
2. California HERO Program
3. E3 PACE Program
4. Figtree PACE Program
5. PACE Funding Program
6. YgreneWorks PACE Program

#### 2. **Membership in additional PACE Programs**

Board of Supervisors to adopt resolutions authorizing execution of agreements consenting to opt-in to the three additional PACE programs listed below:

1. E3 PACE Program *File No. 170485*
2. Figtree PACE Program *File No. 170484*
3. YgreneWorks PACE Program (requires 3 Resolutions, see below) *File No. 170482, 170483, 170486*

#### 3. **Clarification regarding CSCDA 'Open PACE' Program, and adding Program Administrators File No. 170480**

Adopt one Resolution clarifying that as CSCDA Open PACE adds new PACE program administrators in the future, they are automatically authorized for San Francisco.

### SUMMARY

This staff report recommends three distinct but related actions. The first recommendation is for the City to sign-on to the ABAG Regional Collaborative Services Agreement (RCSA), which establishes consumer protection standards and other best practices for residential PACE program administrators.

The second staff recommendation is to authorize three new PACE programs that have already signed on to the RCSA to operate in the City and County of San Francisco.

San Francisco Department of the Environment  
1455 Market Street, Suite 1200, San Francisco, CA 94103  
Telephone: (415) 355-3700 • Fax: (415) 554-6393  
Email: [environment@sfgov.org](mailto:environment@sfgov.org) • [SFEnvironment.org](http://SFEnvironment.org)

Printed on 100% post-consumer recycled paper.

The third is to clarify that the CSCDA 'Open PACE' program (which was authorized by the Board through prior resolutions for our (3) existing PACE providers), has added and may add additional PACE program providers in the future, and that these would automatically be authorized for San Francisco without additional Board of Supervisors approval or action.

#### FISCAL IMPACTS OF RECOMMENDATIONS

The department has determined the adoption of the resolutions and actions contained herein would not result in any additional costs to the City. All costs of marketing, financing, and program administration are borne by the program administrators; normal administrative costs to the City for recording assessments on property records and for collecting PACE assessment payments are recoverable through the financing origination and repayment process (detailed in the various resolutions).

#### **1. Regional Collaborative Services Agreement (RCSA)**

ABAG developed the RCSA in 2016 to make it easier for cities to vet and approve residential PACE providers (RPP's), especially in light of the rapid expansion of residential PACE in the region. It requires consistent application of consumer protections and data sharing policies for each RPP. Of the three PACE programs currently operating in San Francisco (Alliance NRG, CaliforniaFIRST, and HERO), two have signed the RCSA while ABAG is currently working with the third to complete the Agreement. As new RPP's enter into the Agreement with ABAG, local governments can have confidence that the RPP is following best practices; however the RCSA does not replace the need for the City to pass required resolutions to authorize RPP's in the future, should it choose to do so. The RCSA covers residential PACE programs only; commercial PACE programs were not included in the RCSA because they tend to be highly customized, have built-in protections (e.g. lender consent), and the transactions do not lend themselves to standardization.

While the RCSA is an agreement between ABAG and RPP's, it also states that it applies to RPP's operating in local jurisdictions that execute the "acknowledgement addendum."

Features of the RCSA include:

- Designates ABAG as the liaison to the RPP's locally regarding implementation of the Agreement
- Requires all RPP's to have clearly visible disclosures regarding the Federal Housing Finance Authority's (FHFA) policies on residential PACE programs<sup>1</sup>
- Requires all RPP's to participate in the state's PACE Loss Reserve program, which mitigates potential risk to first mortgage lenders by making them whole for losses incurred due to the existence of a first-priority PACE lien on a property during foreclosure or forced sale.
- Limits claims that RPP's (or their designated contractors) can make to property owners regarding tax treatment of PACE assessments
- Requires data sharing between the RPP's and local governments to monitor program performance locally and improve reporting
- Clarifies that RPP's are responsible for negligence in administering PACE programs

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<sup>1</sup> In July 2010, the Federal Housing Finance Agency (FHFA) which oversees home mortgage securities entities Fannie Mae and Freddie Mac, objected to the priority lien status of residential PACE financing and announced they would not purchase mortgages for homes with PACE obligations, due to concerns that PACE loans will be paid first in the case of foreclosure. This announcement slowed the residential PACE market for several years. In response, in 2013 Governor Brown signed SB 96, which created a \$10 million PACE Loan Loss Reserve to make mortgage lenders whole during a foreclosure or a forced sale of a property with a PACE assessment. While the FHFA has not officially changed its position to date, the California PACE market has rapidly grown with the assurance of the state reserve.

## 2. Membership in additional PACE Programs

The City and County of San Francisco has, through resolutions passed by the Board in 2014, already authorized three PACE programs:

- California HERO Program <https://www.heroprogram.com/ca/sanfrancisco>
- AllianceNRG <https://www.alliancenerg.com/retail/>
- CaliforniaFIRST <https://californiafirst.org/>

Adding new PACE providers that have signed the RCSA will increase financing options and contractor resources for homeowners, and support private sector innovation and investment all while backed by robust consumer protections. Note: authorizing these providers now will not limit the Board's ability to rescind membership, or consider additional providers, at any later date. The Board's approval of the any PACE program is limited to making the PACE financing option available to individual property owners who voluntarily decide to use it.

Staff recommend that the Board authorize local participation by the following three programs, whose administrators have signed the RCSA but which have not yet been approved by the Board to provide PACE services within the City and County of San Francisco:

- California Enterprise Development Authority (CEDA) / Figtree PACE Program (proposed)

The Figtree PACE Program requires membership in the California Enterprise Development Authority (CEDA), of which San Francisco is already a member. The Figtree PACE Program has primarily served commercial, industrial, and multifamily properties, and is planning to launch a single-family residential offering later this year. Since its launch in 2011, 180 cities and counties in California have adopted the program. More than \$16 million in financing has been approved for commercial projects. The program has 75 contractors providing services in the Bay Area.

- Golden State Finance Authority (GSFA) / YgreneWorks PACE Program (proposed)

The Ygrene PACE Program requires Board of Supervisors approval of membership in the Golden State Finance Authority (GSFA) JPA, which sponsors this program that serves residential and commercial projects. In California, over 180 cities and counties have adopted the program since its launch in 2013. To date, the program has approved financing of more than \$1.1 billion and has certified 2,532 contractors in California. Because of the unique nature of the GSFA/YgreneWorks program, two Resolutions are required for authorization. The first Resolution would make all properties in San Francisco eligible to participate in GSFA's Community Facilities District (CFD) for PACE financing as authorized under SB 555 (2011). The second Resolution would make all properties in San Francisco eligible to participate in GSFA's Contractual Assessment program for PACE authorized under AB 811 (2009), which is similar to the other PACE programs presented for council consideration in this item.

- California Municipal Finance Authority (CMFA) "Open PACE" Program (proposed)

The California Municipal Finance Authority (CMFA) JPA, of which San Francisco is a member, sponsors Energy Efficient Equity (E3) which serves residential property owners; CMFA also sponsors three other commercial PACE providers (Blue Flame, Structured PACE, and ON PACE). CMFA's "Open PACE" Program launched in August 2015 and operates under AB 811. CMFA is utilizing the Open PACE structure (similar to CSCDA's) with the goal of creating a platform to vet and pre-qualify multiple PACE providers so that local governments only need to pass a single resolution to authorize multiple programs. Any additional PACE programs that are qualified under CMFA's Open PACE after the adoption of the CMFA Open PACE resolution by the City will automatically be authorized to operate within San Francisco.

## 3. Clarification regarding CSCDA 'Open PACE' Program, and inclusion of new PACE Administrators

CSCDA's 'Open PACE' program, which the Board of Supervisors approved joining in 2014 (for CaliforniaFIRST and Alliance NRG), adds additional PACE Providers to their program from time to time. Since 2014, CSCDA updated their approach such that in jurisdictions that had previously opted-into Open PACE, any new PACE providers would automatically become authorized for that local jurisdiction without further Board or Council action. This specific approach was not included in our 2014 resolutions, and we recommend adding this language to clarify this process.

#### ENVIRONMENTAL SUSTAINABILITY

Supporting an expanded PACE marketplace helps the City reach its Climate Action Strategy goals, which calls for a 2.5% decrease in energy consumption across all buildings annually until 2030, and to achieve a 100% renewable energy economy in San Francisco by 2030.

#### RATIONALE FOR RECOMMENDATION

##### 1. Regional Collaborative Services Agreement (RCSA)

The RCSA was developed by ABAG to improve transparency and reporting standards. While the Agreement is between ABAG and RPP's, the language of the agreement states that it also applies to actions of the RPP in participating cities, such as San Francisco, that chose to authorize PACE programs with RPP's. This information will not only safeguard consumer interests, it will also allow for better tracking of energy efficiency and solar projects for tracking climate action outcomes.

##### 2. Membership in additional PACE Programs

A competitive marketplace provides a variety of options for homeowners to finance improvement projects based on finance terms, conditions of approval, and eligible measures offered by the different programs. Additionally, authorizing multiple providers ensures that financing will remain available if one or more providers cease to operate in San Francisco. Finally, it is anticipated that there will be increased economic activity as a result of each new provider operating locally.

##### 3. Clarification regarding CSCDA 'Open PACE' Program

To become consistent and current with our existing PACE financing partner, CSCDA, and its' PACE program providers.

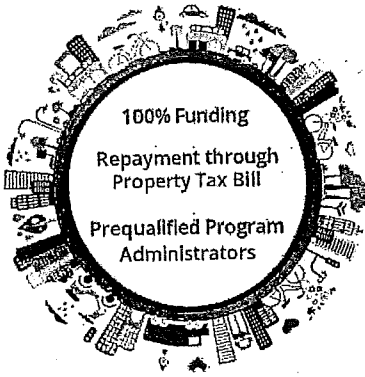
#### CONTACT PERSON

Richard Chien, Department of the Environment, 415-355-3761

#### ATTACHMENTS:

1. Resolution to authorize the Director of the Department of the Environment to approve and sign the Association of Bay Area Governments (ABAG) member acknowledgement addendums of the Regional Collaborative Services Agreement (RCSA).
  - Fully Executed RCSA between PACE providers and ABAG and Membership Acknowledgement Forms
    - AllianceNRG executed RCSA (AllianceNRG - ABAG Member Acknowledgement Form)
    - E3 executed RCSA (E3 - ABAG member Acknowledgement Form)
    - Figtree executed RCSA (Figtree - ABAG member Acknowledgement Form)
    - HERO executed RCSA (HERO - ABAG member Acknowledgement Form)
    - YgreneWorks executed RCSA (YgreneWorks - ABAG member Acknowledgement Form)
2. Resolution to opt-in to E3 PACE Program, sponsored by CMFA
3. Resolution to opt-in to Figtree PACE Program, sponsored by CEDA
4. Resolutions to opt-into GSFA/YgreneWorks Program

- Agreement between CCSF and GFSA regarding the collection of PACE assessments and/or special taxes
- Resolution authorizing an agreement regarding the collection of PACE assessments and/or special taxes



**CSCDA**  
**OPENPACE**  
PROPERTY ASSESSED CLEAN ENERGY

## The Facts about CSCDA's Open PACE Program

CSCDA has received questions from cities, counties and property owners about its Open PACE program. The following answers those questions that have been raised.

1. *The five administrators under the CSCDA Open PACE program provide disclosures to property owners as required under AB 2693 and beyond.*
  - AB 2693 (2016), which went into effect on January 1, 2017 mandates minimum disclosures for all PACE programs similar to the Mortgage Industry's "Know Before You Owe" Form including:
    - 3-DAY RIGHT to CANCEL
    - Clear Financing Statement w/ APR and total financing obligation
    - 64+ year old additional call backs to confirm terms
    - The bill was originally sponsored by the California Association of Realtors and supported by the PACE industry.
  - The CSCDA Open PACE program already provided for the requirements in AB 2693 under its consumer protection policies adopted in December, 2015. The additional legislation simply codifies in statute what had largely been standard business practice for the Open PACE program.
2. *Homeowners are not required to pay off their PACE lien when they sell or refinance.*
  - PACE liens may stay with the property in almost every scenario during a sale or refinance.
  - Transferability of the PACE lien is typically a point of negotiation between seller, buyer, and lender.

- The Federal Housing Administration and Veterans Administration (FHA and VA Loans) will finance with PACE liens on title and allow the PACE lien to remain.
  - FHFA (Fannie Mae & Freddie Mac/Conventional loans) require contractual subordination of the PACE lien.
  - Open PACE program administrators have and will subordinate to the satisfaction of the lender.
3. ***Special assessments have been permitted and financed in California for over 100 years.***
- PACE is a voluntary special assessment that was authorized by the California Legislature. It is a variation of existing assessment district and community facility district laws that has been in place in California for over 100 years.
  - Over 2,700 special assessment districts exist in the California – which are an essential infrastructure and economic development tool for local governments – and all of the assessments are senior to the first mortgage just as PACE is.
4. ***The Open PACE program has multiple layers of governmental oversight.***
- Underwriting for PACE loans was established and is monitored by the California State Treasurer's Office.
  - Disclosures for PACE loans are set by the California Legislature.
  - CSCDA adopted stringent consumer protection policies in December 2015.
  - Cities and counties have the ability both to opt in and, importantly, to opt out *without cause if they have concerns with a PACE program* providing unfettered local control.



5. ***The Open PACE program provides significant consumer protections between a property owner and contractor***

Open PACE programs provide more consumer protections than almost all other traditional financing options. Open PACE programs:

- Require contractor licensing,
- Approve only high-efficiency measures, verify work, require permits and provides a dispute resolution process.
- Provides final payment to the contractor only after the homeowners agrees that the work has been done to the homeowner's satisfaction
- Monitor contractors and penalize them for poor performance, including kicking them out of the Open PACE program.

6. ***PACE programs will not cause another housing crisis.***

There are several reasons why PACE will not cause another housing crisis:

1. PACE only finances measures that reduce energy and water bills. This increases a homeowner's ability to repay the mortgage.
2. In the first economic study of homes with PACE upgrades, three different methodologies and three home price indices were examined and all turned up the same results; PACE is good for the resale value of homes, even after taking into account the financing costs.  
[http://www.iinews.com/site/pdfs/JSF\\_Winter\\_2016\\_PACENation.pdf](http://www.iinews.com/site/pdfs/JSF_Winter_2016_PACENation.pdf)
3. California State Treasurer's Office regulations prevent a homeowner from encumbering the property with a PACE lien that, combined with the mortgage balance, would exceed 100% of the fair market value of the property.
4. PACE does not accelerate in the event of a default. Only the amount in arrears is due.
5. Property owners with a PACE assessment have higher property tax repayment rates than the state average.

7. ***CSCDA encourages property owners to review all of its options for financing to determine what their best option may be.***

- PACE is a voluntary program. As with any financing decision, property owners should compare terms and features across financing options.

- PACE interest rates are consistent with long-term, fixed interest rate financing, such as Home Equity Loans (HELs)
  - Unsecured loans often have much shorter repayment terms, and comparable or higher interest rates, which lead to higher monthly/annual payments for the homeowners, which may be undesirable at best, and unsustainable at worst.
  - The lowest cost financing on the market is a variable rate home equity line of credit (HELOC), which can start below 3%. Fewer than 15% of California homeowners have a HELOC in place, and many cannot wait the 30-45 days it takes to secure a HELOC (or HEL) when their A/C needs replacement in the summer.
8. *The Open PACE consumer protection policies do not permit contractors to use aggressive marketing practices that target the poor and elderly.*
- Complaints about aggressive contractors occurred well before PACE was in the market, regardless of the financing programs the contractor was offering.
  - Open PACE is one of the only financing options with strong protections against aggressive marketing practices.
  - All Open PACE contractors must agree to a code of conduct and are penalized if they use aggressive tactics or misrepresent the program.
  - PACE call centers have multi-lingual staff to support non-English speakers.
  - 100% of property owners over 64 years old receive a follow up call to ensure they understand the terms of the PACE contract.
  - By state law (AB 2693), PACE also includes a three day right of rescission for anyone who changes their mind.

BOARD of SUPERVISORS



City Hall  
1 Dr. Carlton B. Goodlett Place, Room 244  
San Francisco 94102-4689  
Tel. No. 554-5184  
Fax No. 554-5163  
TDD/TTY No. 554-5227

## MEMORANDUM

TO: Ben Rosenfield, City Controller, Office of the City Controller  
Deborah Raphael, Director, Department of the Environment  
Nadia Sesay, Director, Controller's Office of Public Finance

FROM: Linda Wong, Assistant Clerk, Budget and Finance Sub-Committee

DATE: May 24, 2017

SUBJECT: LEGISLATION INTRODUCED

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The Board of Supervisors' Budget and Finance Sub-Committee has received the following proposed legislation:

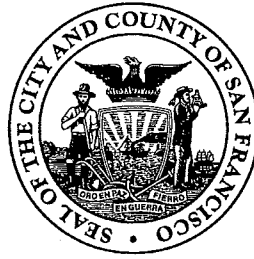
**File No. 170483**

Resolution authorizing inclusion of properties within the City and County of San Francisco's territory in the Golden State Finance Authority Community Facilities District No. 2014-1 (Clean Energy) Property-Assessed Clean Energy Program to finance renewable energy improvements, energy efficiency and water conservation improvements, electric vehicle charging infrastructure, and other authorized improvements.

If you have any comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c: Todd Rydstrom, Office of the City Controller  
Guillermo Rodriguez, Department of the Environment

BOARD of SUPERVISORS



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May 24, 2017

File No. 170483

Lisa Gibson  
Environmental Review Officer  
Planning Department  
1650 Mission Street, 4<sup>th</sup> Floor  
San Francisco, CA 94103

Dear Ms. Gibson:

On April 25, 2017, the Supervisor Mark Farrell introduced the following legislation:

**File No. 170483**

**Resolution authorizing inclusion of properties within the City and County of San Francisco's territory in the Golden State Finance Authority Community Facilities District No. 2014-1 (Clean Energy) Property-Assessed Clean Energy Program to finance renewable energy improvements, energy efficiency and water conservation improvements, electric vehicle charging infrastructure, and other authorized improvements.**

This legislation is being transmitted to you for environmental review.

Angela Calvillo, Clerk of the Board

A handwritten signature in black ink, appearing to read "Linda Wong".

By: Linda Wong, Assistant Clerk

Attachment

c: Joy Navarrete, Environmental Planning  
Jeanie Poling, Environmental Planning

# Introduction Form

By a Member of the Board of Supervisors or the Mayor

RECEIVED  
BOARD OF SUPERVISORS  
SAN FRANCISCO

2017 APR 27 Time stamp  
or meeting date

I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee. (An Ordinance, Resolution, Motion, or Charter Amendment)
- 2. Request for next printed agenda Without Reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning "Supervisor [ ] inquires"
- 5. City Attorney request.
- 6. Call File No. [ ] from Committee.
- 7. Budget Analyst request (attach written motion).
- 8. Substitute Legislation File No. [ ]
- 9. Reactivate File No. [ ]
- 10. Question(s) submitted for Mayoral Appearance before the BOS on [ ]

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission     Youth Commission     Ethics Commission
- Planning Commission     Building Inspection Commission

**Note: For the Imperative Agenda (a resolution not on the printed agenda), use a Imperative Form.**

**Sponsor(s):**

Supervisor Mark Farrell

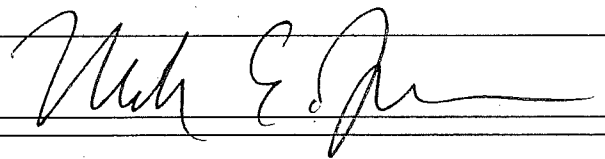
**Subject:**

Resolution - Consenting to Inclusion of City Properties in Golden State Finance Authority Community Facilities District No. 2014-1 (Clean Energy) -- Property Assessed Clean Energy Programs

**The text is listed below or attached:**

Attached.

Signature of Sponsoring Supervisor:



For Clerk's Use Only:

