Municipal Webinar 4: Implementing a Residential PACE Program
Questions and Answers

Babylon, NY: Long Island Green Homes

Q: How quantify per annum average savings per homeowner??

A: 2yrs historical utility data; blower door test/in test/out; energy projected with CSG's HomeCheck software**.**

Q: Given that a robust PACE program destroys the PPA business model, how do you intend to deal with their resistence (e.g. SunRun) and the resistence of their cohorts utllities and the entire fossil fuel industry?

A: This premise equates with FHFA. a]There are no 'robust' PACE programs; b]Penetration of 5% would be 5x greater than the most productive PACE programs and that hardly takes the oxygen out of the market. SunRun's preemptive strike follows the axiom that the less powerful players are in a given sector, the more they fight over power.

Q: How does Solar (PV) factor in this program, especially given the $$ limits?

A: Green Homes established the principle at the outset that there would be a strict loading order. Seal up you leaking building and you're likely to need only 3kW rather 5kW. This point was rendered mute when FHFA put the kibosh on our plans to help finance PV for Green Homeowners.

Q: Where did the upfront capital come from to make the loans?

A: It came from a waste reserve we are obliged to maintain for our waste-to-energy facility. We expanded the standard definition of solid waste to include energy waste by dint of its carbon component. The original $2M pilot has risen to $7.5M. Substantial interest was expressed in financing when we scaled, but FHFA put that prospect on life-support.

Q: Can you define savings to investment ratio?

A: A savings-to-investment ration of 1.0 means that the cost of a given measure pays for itself within the projected life of that measure.

Q: You mentioned the local authority not being keen for On-Bill billing -- what was the billing system you wound up with?

A: We worked a dedicated bulling system of the platform that we charge for other waste collection.

Q: how can an indebtedness be transferred to someone who buys a home with an existing e.e. debt if there is a lien on the property?

A: As with other benefit assessment this one passes on to the new owner pursuant to sale.

Q: On the cost & savings slide, do these costs include any utility-based EE rebates?

A: No. Rebates vary over time.

Q: Are you doing follow-up with the projected savings to confirm these amounts are in line with actual savings? Are these savings self reported or verified via the utility or how are these confirmed savings being verified?

A: We solicit a year's worth of follow-up utility data.

Q: Are solar PV or geothermal/ground sourced heat pumps, solar thermal done in addition to energy conservation upgrades?

A: We had planned to move into renewable, but FHFA….

Q: Do you have a financial institution partner or is the City still funding from Solid Waste funds?

A: We have had discussions for some rather esoteric alternatives. But the banks who had been lining up are on the sidelines. We are in the process of figuring out how we most effectively transition future demand into NYSERDA's Green Jobs/Green NY which has interest as low as 3.49% and is about to jump-start on-bill.

Q: What do you think is a longer term sustainable interest rate for these programs moving forward?

A: 5-5.5%

Q: Does Babylon do follow up evaluations? Based on average household energy usage it appears that reductions are up to 40%. Long term statistical studies show weatherization upgrades and heating systems save about 15% of household energy.

A: We do M&V on 15% of the jobs. Average program saving has been 28%. I am skeptical of reported savings of 40%.

Q: Are there any programs out there that are run by a 3rd Party non-profit in partnership with a City, County or Utility?

A: There is a very robust one coming on line from the NYS Energy Research Development Agency. The Marin Energy Authority in Marin County, California is developing a countywide residential and commercial PACE program.

Both Programs

Q: How are you doing your title searches and do you secure title policies on your PACE liens?

A: Green Homes: Through our appraisal department. **SCEIP:** We contract with a third party vendor to do initial title searches prior to approving an application. This vendor also performs a supplemental title search prior to disbursing funds for a project.

Q: What are/were the interest rates for your programs?

A: Green Homes: 3% **SCEIP:** 7%

Sonoma County Energy Independence Program (SCEIP)

Q: How do you explain the spikes in the [application volume] graph?

A: Before the FHFA issued its statement in July 2010, the first trough corresponds to slower activity during the winter months. The unusual number of applications that were submitted in June of 2011 occurred just before, and as a result of, the July 1, 2012 program policy change that took place that required owners requesting financing for solar PV projects to demonstrate a 10% energy reduction prior to financing (10% loading order requirement).

Q: Why has there been a large drop off in projects funded from Sept 11 to January 2012?

A: We believe this was due to the 10% loading order requirement - see answer above. This hypothesis will be tested beginning April 1, 2012 when the pilot program for the loading order requirement ends.

Q: Where did the upfront capital come from to provide project financing?

A: SCEIP is a self-funded program. The Sonoma County Board of Supervisors authorized the county Treasury Pool to purchase, at 3% interest, bonds issued by the County Joint Powers Authority.

Q: Did the financing of PV systems call for billing costs in R/E bills?

A: No.

Q: Do you permit amortization of principal as well as interest for residential property investments?

A: Yes, over the term of the assessment (10 or 20 years).

Q: Can you mention some of the principal funding sources for a municipal PACE program?

A: The following is an excerpt from the Replication Manual:

“There are several options available to a local government to finance its PACE program. The funding options can be categorized as:

- **Self-financed**- A public entity provides all money required to finance the program from its unallocated reserves or general fund, replenishing, with interest, this “seed money” over time through participant repayment;
- **Owner-Arranged Bond** - A local property owner arranges project financing with a private project lender, who accepts the PACE securitization and payback framework. This structure results in a project-specific financing option that meets the needs and diversity of the commercial building marketplace, and allows for competition and flexibility;
- **Open Market Bond** – A local government issues a “Pooled Bond” or a “Stand-Alone Bond” to be purchase by a third-party investor:
  - **Pooled Bond** - A bond that funds a pool of PACE improvements with PACE assessment revenues from the improved properties aggregated to pay debt service on the bond;
  - **Stand-Alone Bond** - A bond to fund PACE Improvements on an individual property with PACE assessment revenues from the improved property paying debt service on the bond, generally associated with large projects; and
- **Grant Funds**- Restrictions may exist on the use of these funds.

Given the distinct areas of operation that comprise a complete program (discussed below) it is becoming typical for a local government to mix its funding sources.”