



News from

Council President Todd Gloria

City of San Diego

NEWS RELEASE

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City Council Helps San Diego Homeowners Go Green

Homeowners Can Finance Upgrade Costs Through Property Tax Bills

SAN DIEGO (April 8, 2014) – Council President Todd Gloria today announced the City Council approved two new avenues for San Diego homeowners to secure financing for energy efficiency upgrades to their properties. Property Assessed Clean Energy (PACE) programs are financing tools that can make energy efficiency renovations increasingly affordable for homeowners by allowing them to pay for them over a defined period of time through an assessment on their property tax bill. Council President Gloria advocated for the PACE programs as a means to increase energy and water efficiency renovations throughout San Diego. The City Council approved the item unanimously with Councilmember David Alvarez absent.

“These PACE programs will result in more homes being retrofitted for energy and water efficiency upgrades,” said Council President Gloria. **“San Diegans will have a new option to finance renovations to their homes, so they make sense fiscally and environmentally.”**

The City Council approved two resolutions, one with Western Riverside Coalition of Governments to offer its Home Energy Renovation Opportunity (HERO) PACE program, and one with the California Enterprise Development Authority to offer the Figtree PACE program.

Both Figtree and HERO programs are assessment districts formed pursuant to state law. Figtree was approved by the City Council for commercial properties and for residential properties with no mortgage liens in October 2012. HERO is not currently authorized to operate in the City. Figtree is a San Diego-based clean energy finance company providing PACE financing for energy efficiency, renewable energy, and water conservation upgrades. Figtree’s Commercial PACE program allows owners to finance improvements and pay for them over a defined period of time through an assessment collected on their property tax bill.

The Western Riverside Council of Governments, a Joint Powers Authority, launched the HERO PACE program in January 2012, operated by the San Diego-based company, Renovate America. Several local agencies have adopted the HERO program, with 76 jurisdictions statewide having approved HERO programs. The HERO program has created over 1,000 new jobs and generated over \$200,000,000 in economic stimulus for the state.

During today’s hearing, the City Council discussed how the Federal Housing Financing Authority’s (FHFA) tightening of loan requirements may impact homeowners who secure PACE financing in the future. In 2010, the FHFA issued directives that resulted in the tightening of loan requirements and directed that Fannie Mae and Freddie Mac not purchase mortgages on properties encumbered by PACE liens since the PACE liens take a first position. The proposed HERO program legal structure is the same as PACE and therefore poses the same potential problems for homeowners. These potential risks could include reduced ability to refinance, potential default of a mortgage, reduced ability to sell a property, and mandatory early lien pay-off.

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In September of 2013, Governor Jerry Brown signed Senate Bill 96 into law, authorizing the establishment of the PACE Loss Reserve Program to address FHFA's concerns. The PACE Loss Reserve is to be used to make mortgage lenders whole for any direct losses incurred due to the existence of a PACE lien on a property during a foreclosure or forced sale.

Although FHFA concerns remain, given the establishment of the PACE Loss Reserve Program as well as the success of PACE programs such as HERO, the City Council moved forward with the establishment of a residential PACE program for City residents.

“Given the new state law establishing the PACE Loss Reserve Program I feel confident moving forward with authorizing these program, as long as property owners are aware of potential impacts to future financing alternatives so they can make informed decisions on how best to retrofit their homes,” said Council President Gloria.

The minimal fiscal impact to the City will be absorbed by existing staff. All costs related to energy efficiency, water conservation, and/or renewable energy projects will be borne by participating property owners.

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