

**SUBMITTAL TO THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

189



**FROM:** Executive Office

**SUBMITTAL DATE:**  
July 12, 2016

**SUBJECT:** Adoption of Resolution No. 2016-162, Consenting to the inclusion of unincorporated Riverside County properties into the California Municipal Finance Authority (CMFA) Open Property Assessed Clean Energy (PACE) Program. [All Districts] [\$0]

**RECOMMENDED MOTION:** That the Board of Supervisors:

1. Adopt Resolution No. 2016-162 consenting to the inclusion of Properties within the County's unincorporated area in the CMFA PACE Program to finance energy efficiency, water efficiency and renewable energy upgrades for residential and commercial buildings; and
2. Authorize the CMFA to accept applications from property owners, conduct contractual assessment proceedings and levy contractual assessments within the territory of the County and authorizing related actions.

Departmental Concurrence

(Continued)

*Alex Gann*

Alex Gann,  
Deputy County Executive Officer

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ 0	\$ 0	\$ 0	\$ 0	Consent <input type="checkbox"/> Policy <input checked="" type="checkbox"/>
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0	
<b>SOURCE OF FUNDS:</b> N/A				<b>Budget Adjustment:</b>	N/A
				<b>For Fiscal Year:</b>	16/17

**C.E.O. RECOMMENDATION:**

**APPROVE**

BY: *George A. Johnson*  
George A. Johnson

County Executive Office Signature

**MINUTES OF THE BOARD OF SUPERVISORS**

On motion of Supervisor Jeffries, seconded by Supervisor Ashley and duly carried,  
IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Jeffries, Washington, Benoit and Ashley  
Nays: None  
Absent: Tavaglione  
Date: July 12, 2016  
xc: E.O., Financial Advisor

Kecia Harper-Ihem  
Clerk of the Board

BY: *Kecia Harper-Ihem*  
Deputy

- A-30
- Positions Added
- 4/5 Vote
- Change Order

Prev. Agn. Ref.: | District: All | Agenda Number:

**3-1**

**RECOMMENDED MOTION (Continued)**

3. Authorize the Chairperson or County Executive Officer, or designee thereof, to execute all documents and take any actions necessary and appropriate to carry out the intent of this resolution.

**BACKGROUND:**

**Summary**

The CMFA is a Joint Powers Authority formed to assist local governments, non-profit organizations and businesses by promoting economic, cultural and community development, with the financing of economic development and charitable activities throughout California. To date, over 230 municipalities, including the County of Riverside, have become members of the CMFA.

As part of its economic and community development, the CMFA along with its current Program Administrators, Energy Efficient Equity ("E3") and Structured Finance Associates, are offering PACE financing for residential and commercial property owners in its member territories. The CMFA is expected to issue limited obligation bonds, notes or other forms of indebtedness to fund the projects.

PACE is an innovative way to finance energy efficiency, water efficiency, and renewable energy upgrades for residential and commercial buildings. Property owners who participate in the program repay the loans through a voluntary contractual assessment collected together with their property taxes. One of the most notable characteristics of PACE programs is that the loan is attached to the property rather than belonging to an individual. Therefore, when the owner sells the property, the loan may be paid off during the sale or stay with the property and be paid off by the new owner, who also benefits from the upgrades that were completed.

PACE financing enables individuals and businesses to defer the upfront costs of energy efficiency, water efficiency and renewable energy improvements. PACE loans are paid over a long period of time while energy costs are simultaneously lower, which typically provides the property owner with net savings. PACE overcomes challenges that have hindered adoption of energy efficiency and renewable energy measures for many property owners.

**ANALYSIS OF THE PACE PROGRAM:**

Staff has determined that participation in this program is a cost effective means of offering property owners the opportunity to make energy and water efficiency retrofits to their property and create new local jobs. Property owners will repay the financing as a charge on their property tax bill over a period of years.

The benefits to the property owner include:

- Competition: CMFA Open PACE currently provides two options to property owners: Energy Efficient Equity ("E3") and Structured Finance Associates. Property owners can shop for the best price and service through the availability of the PACE administrators.
- Eligibility: In today's economic environment, alternatives for property owners to finance renewable energy, energy efficiency, and water conservation improvements may not be

available. Therefore, many property owners do not have options available to them to lower their utility bills.

- Savings: Renewable energy, energy efficiency, and water conservation improvements help lower utility bills.
- Payment obligation is tied to the property: The debt should not need to be repaid when the property is sold or transferred. The new owner assumes the obligation to repay the remaining balance with the property taxes.
- 100% Voluntary: Property owners choose to participate in the program at their own discretion.
- Repayment obligation matched to the useful life of the financed improvements: The length of the financing is based on the expected useful life of the improvements. Depending on the lender and the improvements, the term can range from five (5) years to thirty-nine (39) years.
- Prepayment options: Property owners can pay off the assessments at any time; however, there may be applicable prepayment penalties, and the program administrators review these terms with prospective participants.
- Improved quality of life: Residents benefit from improvements, such as more effective cooling provided by new air conditioning units and less outside noise when new double-paned windows are installed.

The benefits to the County include:

- Prequalified PACE Administrators: The CMFA's Board has pre-qualified the PACE administrators based on their business practices, qualifications, experience and capital commitment to the PACE market.
- Single Resolution: The County can pass a single resolution and provide access to residential and commercial property owners to highly qualified PACE administrators. There is no need to pass multiple resolutions to approve the administrators.
- No County Obligation: The County is not obligated to repay the bonds issued by CMFA or to pay the assessments levied on the participating properties. The County will not incur any cost or involvement, and there are no administrative responsibilities, marketing obligations, or financial exposures to the County.
- No County staff support required: The CMFA and its Program Administrators handle all assessment administration, bond issuance and bond administration functions.
- Increase in local jobs: Property improvements provide local job opportunities.
- Increased County Revenue: Property improvements result in an increase in sales and property tax revenue to the County.

The proposed Resolution authorizes the CMFA to accept applications from owners of property within the County for municipal financing of authorized improvements through the CMFA Program. It also authorizes the CMFA to conduct assessment proceedings and levy assessments against the property of participating owners within the incorporated territory of the County.

### **Impact on Residents and Businesses**

Approval will provide additional renewable energy funding options to the property owners in the unincorporated areas of the county. There is also a potential stimulus to the business community as this has potential to increase construction/remodeling projects.

**SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**  
**FORM 11: Adoption of Resolution No. 2016-162, Consenting to the inclusion of unincorporated Riverside County properties into the California Municipal Finance Authority (CMFA) Open Property Assessed Clean Energy (PACE) Program. [All Districts] [\$0]**

July 12, 2016

PAGE: 4 of 4

**SUPPLEMENTAL:**

**Additional Fiscal Information:**

There is no fiscal impact to the County's general fund incurred by consenting to the inclusion of properties within the County limits in the PACE Programs.

The Board of Directors of the California Foundation for Stronger Communities, a California non-profit public benefit corporation (the "Foundation"), acts as the Board of Directors for the CMFA. Through its conduit issuance activities, the CMFA shares a portion of the issuance fees it receives with its member communities and donates a portion of these issuance fees to the Foundation for the support of local charities. With respect to the County, it is expected that that a portion of the issuance fee will be granted by the CMFA to the general fund of the County. Such grant may be used for any lawful purpose of the County. A similar amount will be donated by the CMFA to a non-profit organization in the County.

**Contract History and Price Reasonableness**

N/A

2 RESOLUTION NO. 2016-162

3

4 RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF RIVERSIDE

5 CONSENTING TO THE INCLUSION OF PROPERTIES WITHIN THE COUNTY'S

6 UNINCORPORATED AREA IN THE CMFA OPEN PACE PROGRAM; AUTHORIZING THE

7 CALIFORNIA MUNICIPAL FINANCE AUTHORITY TO ACCEPT APPLICATIONS FROM

8 PROPERTY OWNERS, CONDUCT CONTRACTUAL ASSESSMENT PROCEEDINGS AND LEVY

9 CONTRACTUAL ASSESSMENTS WITHIN THE TERRITORY OF THE COUNTY; AND

10 AUTHORIZING RELATED ACTIONS

11

12 **WHEREAS**, the California Municipal Finance Authority (the "Authority") is a joint exercise of powers

13 authority, the members of which include numerous cities and counties in the State of California,

14 including the County of Riverside (the "County"); and

15

16 **WHEREAS**, the Authority is implementing Property Assessed Clean Energy (PACE) programs, which

17 it has designated CMFA Open PACE, consisting of CMFA Open PACE programs each administered

18 by a separate program administrator (collectively with any successors, assigns, replacements or

19 additions, the "Programs"), to allow the financing or refinancing of renewable energy, energy

20 efficiency, water efficiency and seismic strengthening improvements, electric vehicle charging

21 infrastructure and such other improvements, infrastructure or other work as may be authorized by law

22 from time to time (collectively, the "Improvements") through the levy of contractual assessments

23 pursuant to Chapter 29 of Division 7 of the Streets & Highways Code ("Chapter 29") within counties

24 and cities throughout the State of California that consent to the inclusion of properties within their

25 respective territories in the Programs and the issuance of bonds from time to time; and

26

27

FORM APPROVED COUNTY COUNSEL  
 BY: Walter J. Stender 6/29/16  
 DALE A. GARDNER

1 **WHEREAS**, the program administrator currently active in administering Programs is Energy Efficient  
2 Equity, LLC and the Authority will notify the County in advance of any additions or changes; and

3  
4 **WHEREAS**, Chapter 29 provides that assessments may be levied under its provisions only with the  
5 free and willing consent of the owner or owners of each lot or parcel on which an assessment is levied  
6 at the time the assessment is levied; and

7  
8 **WHEREAS**, the County desires to allow the owners of property ("Participating Property Owners")  
9 within its territory to participate in the Programs and to allow the Authority to conduct assessment  
10 proceedings under Chapter 29 within its territory and to issue bonds to finance or refinance  
11 Improvements; and

12  
13 **WHEREAS**, the territory within which assessments may be levied for the Programs shall include all of  
14 the territory within the County's official boundaries; and

15  
16 **WHEREAS**, the Authority will conduct all assessment proceedings under Chapter 29 for the Programs  
17 and issue any bonds issued in connection with the Programs; and

18  
19 **WHEREAS**, the County will not be responsible for the conduct of any assessment proceedings; the  
20 levy of assessments; any required remedial action in the case of delinquencies in such assessment  
21 payments; or the issuance, sale, administration repayment or guarantee of any bonds issued in  
22 connection with the Programs;

23  
24 **NOW, THEREFORE, BE IT RESOLVED** by the Board of Supervisors of the County of Riverside as  
25 follows:

26  
27

1 Section 1. This Board of Supervisors hereby finds and declares that the foregoing recitals are true  
2 and correct.

3  
4 Section 2. This Board of Supervisors hereby finds and declares that properties in the territory of  
5 the County will benefit from the availability of the Programs within the territory of the County and,  
6 pursuant thereto, the conduct of special assessment proceedings by the Authority pursuant to Chapter  
7 29 and the issuance of bonds to finance or refinance Improvements.

8  
9 Section 3. In connection with the Programs, the County hereby consents to the conduct of special  
10 assessment proceedings by the Authority pursuant to Chapter 29 on any property within the territory  
11 of the County and the issuance of bonds to finance or refinance Improvements; provided, that

12  
13 (1) The Participating Property Owners, who shall be the legal owners of such property,  
14 execute a contract pursuant to Chapter 29 and comply with other applicable provisions of  
15 California law in order to accomplish the valid levy of assessments; and

16  
17 (2) The County will not be responsible for the conduct of any assessment proceedings;  
18 the levy of assessments; any required remedial action in the case of delinquencies in such  
19 assessment payments; or the issuance, sale, administration, repayment or guarantee of any  
20 bonds issued in connection with the Programs.

21  
22 Section 4. The appropriate officials and staff of the County are hereby authorized and directed to  
23 make applications for the Programs available to all property owners who wish to finance or refinance  
24 Improvements; provided, that the Authority shall be responsible for providing such applications and  
25 related materials at its own expense.

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1 Section 5. The appropriate officials and staff of the County are hereby authorized and directed to  
2 execute and deliver such certificates, requisitions, agreements and related documents as are  
3 reasonably required by the Authority to implement the Programs.

4  
5 Section 6. The Board of Supervisors hereby finds that adoption of this Resolution is not a "project"  
6 under the California Environmental Quality Act, because the Resolution does not involve any  
7 commitment to a specific project which may result in a potentially significant physical impact on the  
8 environment, as contemplated by Title 14, California Code of Regulations, Section 15378(b)(4)).

9  
10 Section 7. This Resolution shall take effect immediately upon its adoption. The Clerk of the Board  
11 of Supervisors is hereby authorized and directed to transmit a certified copy of this resolution to the  
12 Financial Advisor of the Authority at: California Municipal Finance Authority, 2111 Palomar Airport  
13 Road, Suite 320, Carlsbad, California 92011, Attn: Travis Cooper.


14  
15 Passed and adopted by the Riverside County Board of Supervisors on this 12th day of July  
16                     , 2016.

17  
18   
19 John J. Benoit, Chairman  
Riverside County Board of Supervisors

20 ROLL CALL:

21 Ayes: Jeffries, Washington, Benoit and Ashley  
22 Nays: None  
Absent: Tavaglione

23 The foregoing is certified to be a true copy of a resolution duly  
24 adopted by said Board of Supervisors on the date therein set forth.

25 KECIA HARPER-IHEM, Clerk of said Board  
By   
Deputy



# PACE Consumer Protection Policies

Version 1.0

(Residential PACE Program)

November 11, 2015

## OVERVIEW

*Property assessed clean energy (“PACE”) programs enable an unprecedented range of homeowners to access energy efficiency, renewable energy, and water efficiency measures that improve the financial, functional and environmental aspects of home ownership. Improvements such as these make homes less costly to operate and more comfortable to live in, while simultaneously reducing energy and water consumption. Without PACE Programs many homeowners would have no, or costly, access to such benefits.*

*PACE Programs (“PACE Programs” or the “Program”), including the government authority sponsoring and administering them (“Authority”, Program Administrator” or “Administrator”) and, where applicable, the entity or entities who help implement them (“Partner”), deliver tools and resources that enable homeowners to make smart, informed and responsible choices regarding such measures (“Measures”). Appropriate use of such tools is the responsibility of all Programs, which means that care needs to be taken with homeowners before, during and after origination of Program financing. In other words, consumer protections that serve homeowners must be a core value of the Program, the Authority and the Partner. In this document, “Partner” refers to the government authority in all cases where the Program does not include a third party partner.*

*The baseline consumer protection policies of the Program cover the following areas: (i) Risk, (ii) Disclosures and Documentation, (iii) Financing Terms, (iv) Operations, (v) Post-Funding Support, (vi) Data Security, (vii) Privacy, (viii) Marketing and Communications, (ix) Protected Classes, (x) Contractors, (xi) Eligible Products, (xii) Pricing, (xiii) Reporting, (xiv) Closing & Funding and (xv) Examination. These Policies provide homeowners with a greater level of consumer protection than any other form of financing. They also guide the Program’s implementation, enabling the transformation of its potential into tangible benefits for homeowners.*

## 1. RISK

*Policy Summary: The Program blends traditional credit risk considerations together with statutory requirements and legislative policy to develop risk criteria that are fitted to the Program. These criteria take into account the unique risk profile that this form of financing presents to enable qualifying homeowners to access it. While this process will exclude unqualified homeowners and properties, special consideration has been given to developing inclusive standards. These criteria examine four key attributes of every financed project: (i) the real property on which the improvements will be installed (“Property” or “Properties”), (ii) the encumbrances presently recorded against the Property, (iii) the nature of the improvements to be installed; and (iv) the homeowner’s mortgage and property tax payment history.*

- 1.1. **Properties.** Consistent with foundational considerations, it is the policy of the Program to make the Program available to the entirety of the existing residential housing stock in political boundaries of the Program. Properties for which this form of financing is not available include: (i) commercial properties (including residential properties comprising four (4) or more units), (ii) new properties under construction and (iii) tax exempt properties (properties not subject to levy), such as tribal, non-profit or state-owned residential properties. If requested in good faith by the homeowner applying for the Program, the Partner is responsible for completing a “second look” eligibility review of all applications related to properties initially determined to be excluded, re-examining the specific attributes of the Property in question and confirming or modifying the original determination.
- 1.2. **Encumbrances.** The encumbrance profile of Properties is an important element of the decisioning process for Program participation. The Program is designed to harness unused financing capacity of homes in which eligible improvements are installed. Such financing is inappropriate if it burdens Properties and their owners too greatly. Accordingly, Properties eligible for Program financing will have the following attributes:
  - 1.2.1. All mortgage-related debt on the Property may not exceed 90% of the Property’s fair market value (“FMV”), or assessed value if market value data is unavailable or unreliable, at the time of initial approval;
  - 1.2.2. Reliability of the Program FMV model should be verified through an accepted and regular audit process, using a sampling of appraisal data as a means of measurement and verification;
  - 1.2.3. The financing may not exceed (i) fifteen percent (15%) of the FMV of the Property, up to the first seven hundred thousand dollars (\$700,000) of the Property’s FMV, and (ii) ten percent (10%) of the remaining value of the Property above seven hundred thousand dollars (\$700,000);
  - 1.2.4. The total mortgage-related debt on the underlying Property plus Program financing

may not exceed the FMV of the Property; and

1.2.5. The total amount of any annual property taxes and assessments shall not exceed five percent (5%) of the Property's FMV, determined at the time Program financing is approved.

1.3. Eligible Improvements. The Program provides financing for a broad range of eligible products and projects permanently-affixed to the Property, the details of which are set forth in Section 11 below. The Program is not available to finance ineligible products and projects, which comprise everything not specified in Section 11. While the Program is responsible for confirming compliance with the Section 11 requirements, it is not responsible for determining post-installation energy performance, savings or efficacy of such products or projects. The Program relies on U.S. Department of Energy, the Environmental Protection Agency and other government agencies in determining what constitutes an Eligible Improvement.

1.4. Homeowners. PACE Program assessments appear as line items on property tax bills and homeowners repay their financing when they pay their property tax bills. The mortgage and property tax payment history of homeowners of record thus is an important decision-making element of Program eligibility criteria. Accordingly, at the time of application, homeowners eligible for Program financing will have status and payment histories that are consistent with the following:

1.4.1. The Applicants are the owners of record;

1.4.2. Property tax payments for the assessed Property are current. Additionally, the homeowner must certify that there is no more than one late payment for the shorter of (i) the previous three years, or (ii) since the present homeowner acquired the Property;

1.4.3. Homeowner(s) are current on all mortgage debt, and have been late on such payments no more than once (30 days maximum) during the 12-month period preceding funding;

1.4.4. No homeowner applicant has had any active bankruptcies within the last 7 years; provided, however, that this criterion can be met if a homeowner's bankruptcy was discharged between two and seven years before the application date, and the homeowner(s) have had no payments (non-mortgage) past due for more than 60 days in the most recent 24 months; and

1.4.5. Homeowner(s) have no involuntary lien(s) recorded against the Property in excess of \$1,000.

# Energy Efficient Equity

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Smart financing for a sustainable future



Join the Program!

Contact us

Phone	1-310-307-4940
eMail	<a href="mailto:taylor@energyefficientequity.com.com">taylor@energyefficientequity.com.com</a>
Address	10880 Wilshire Blvd. Suite 1101 Los Angeles, CA 90024
Online	<a href="http://www.energyefficientequity.com">www.energyefficientequity.com</a>

Implementing the CMFA PACE Program will provide properties owners in your community a simple and effective way to finance energy and water saving improvements. It's easy to opt-in, self-sufficient and participation is 100% voluntary. Join the movement and discover how the California Municipal Finance Authorities PACE program can benefit you.

## Save Energy, Water and Money

### Create Local Jobs

### Help the Environment

#### Background

##### PACE

Assembly Bill (AB) 811 was signed into law on July 21, 2008, and AB 474, effective January 1, 2010, amended Chapter 29 of Part 3 of Division 7 of the Streets & Highways Code of the State of California ("Chapter 29") and authorizes a legislative body to designate an area within which authorized public officials and free and willing property owners may enter into voluntary contractual assessments to finance the installation of distributed generation renewable energy sources, energy efficiency, Seismic and/or water conservation improvements that are permanently fixed to real property, as specified. The financing for these improvements has come to be known as PACE, which stands for Property Assessed Clean Energy.

##### PACE & California

California has widely adopted an open PACE model which allows multiple programs to successfully operate in the same jurisdictions, fostering innovation and creating healthy competition. As a result California is the nation's leader in PACE financing and energy savings with:

- Multiple Active Programs
- 40,000 + Completed Projects
- \$750 + Million in Financings
- 7,500 + Jobs Created
- Tons of CO2 Emissions Abated
- Millions of gallons of water saved

##### The CMFA

The California Municipal Finance Authority ("CMFA") is a Joint Powers Authority created to strengthen local communities by assisting with the financing of economic development and charitable activities throughout the State of California. With the goal of giving back to California communities, the CMFA assists local governments, non-profits and businesses with the issuance of taxable and tax-exempt financing aimed at improving the quality of life in California. To date, over 200 municipalities have become members of CMFA.

##### CMFA, PACE & E3

On April 6<sup>th</sup>, 2015 CMFA completed a statewide validation action authorizing the CMFA to offer PACE to its members. The CMFA has partnered with Energy Efficient Equity ("E3") to administer the program throughout California. Municipalities that wish to participate and offer PACE financing in their community can now do so by simply passing an opt-in resolution.

## Good for Property Owners

100% Financing	In today's economic environment, financing options are scarce. The program offers competitive financing, for 100% of the project costs, with \$0 out of pocket.
Immediate Savings	Improving the way a property uses energy and water, reduces consumption and provides an immediate cost savings.
100% Voluntary	Program participation is completely up to the property owner.
Customer Protections	The CMFA consumer protection policy provides peace of mind, and is the only PACE program with a repurchase agreement to ensure that property owners are protected from financial loss due to fraud.

## Good for the Community

Creates Local Jobs	The Program uses Local registered contractors for all improvements, causing an increase in sustainable full time employment.
Increases Property Values	Energy Efficient properties are in demand and sell for up to 22% more than comparable properties.
Revitalizes Communities	Reduced CO <sup>2</sup> emissions + Water Savings + New Jobs + Increased Property Values = A happy community.

## Public Private Partnership

Privately Funded	The program is 100% funded with private capital. Demand for PACE bonds is strong and competition is driving rates down for consumers.
Fiscal Impacts	The Program is 100% self-sufficient with no negative fiscal impact or obligation to the city.
Give Back Program	50% of all CMFA issuance fees are contributed back to your community. 25% to the municipality's general fund and 25% to local charities.

To offer the nations premier PACE program in your community, contact us today.