



# Environmental Finance

## SANBAG HERO PROGRAM (PROPERTY ASSESSED CLEAN ENERGY- PACE)

**Governments**  
**SANBAG**  
**Working Together**

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# Enabling Legislation

- AB 811 (2008)
  - Authorizes legislative body to enter into contractual assessment with property owners to finance energy efficiency and renewable generation energy improvements
  - Assessments are paid back on property tax bill
- AB 474 (2010)
  - Authorizes the addition of water conservation / efficiency measures to the authorization provided by AB 811

# SANBAG HERO – Regional Benefits

## REGIONALLY

- Leverages and coordinates outside funding sources
- Regional approach provides economies of scale
- Relieves individual city burden of Program establishment
- Consistent marketing and community messaging
- Empowers regional contractors and vendors
- Built environment improved energy profile
- Increases property values



# SANBAG HERO – City Benefits

## PARTICIPATING CITIES

- City relieved of Program establishment burden – simply authorize SANBAG Program for your jurisdiction
- No local credit or funding at risk
- Create and retain green jobs
- Funding is self-replenishing
- Commercial and Residential properties are qualified
- Facilitates property-owners' (voters & taxpayers) initiatives to make improvements that increase value
- Widespread recognition with little effort by City



# SANBAG HERO – Property Owner Benefits

## PROPERTY OWNERS

- Qualification easily determined
- Variety of eligible improvements
- Financing paid with property taxes
- Fixed rate financing with terms up to 20 years
- Energy operating costs reduced
- Facilitates “green” efforts and recognition
- Property value increases



# Sample PACE Improvements

- Improvements that are permanently attached to the property and provide energy efficiency, renewable energy generation, or water conservation / efficiency. Does not include appliances.

## Building Envelope

Insulation  
Air Sealing  
Duct Sealing  
Windows  
Doors  
Roofs

## Major Systems

Heating  
Air Conditioning  
Ventilation  
Water Heating  
Lighting  
Management  
Systems

## Renewables

Solar PV  
Solar Thermal  
Wind  
Geo-thermal  
Water Catchment

# Underwriting Criteria

- Aligned with White House / Department of Energy standards
- Commercial property requires lender acknowledgement
- Strict improvement and debt ratios
- Appropriate standards ensure consistent sustainable funding sources
- Responds to the mortgage crisis of 2008
- Comprehensive/Thorough approach assures compliance with guidelines
- Commercial Program conducts renewable energy underwriting of project by third-party engineering firm
- Residential program allows optional pre-payment including if required by Fannie/Freddie
- Commercial program also allows optional pre-payment
- Protects the integrity of the SANBAG PACE program

# Program Partners – Program Establishment, Legal, Operations & Administration

- **LEGAL – Best, Best & Krieger**
  - Program establishment documents and proceedings
  - City participation documentation
  - Judicial validation
  - Contractual assessment and bond documents
- **FINANCIAL ADVISOR – Public Financial Management, Inc.**
  - Day-to-day contact for SANBAG
  - Program establishment scheduling and coordination
  - Documentation review
  - Verification of financial commitments
  - Program Manger – Financing and operations management
- **ASSESSMENT ADMINISTRATOR – David Taussig & Associates**
  - Contractual assessment recordation
  - Tax roll filing
  - Ongoing assessment tracking and administration
- **PLACEMENT AGENT – Westhoff, Cone & Holmstedt**
- **TRUSTEE – U.S. Bank Trust, N.A.**



# Program Partners – Origination & Funding

- **RESIDENTIAL – Renovate America**
  - Provides interactive consumer/contractor resources
  - Marketing and outreach
  - Funding for eligible projects totaling \$5,000 or more
  - 5 / 10 / 15 / 20 year terms available
- **COMMERCIAL – Samas Capital**
  - Work with commercial property owners, lenders, and contractors
  - Marketing and outreach
  - Funding for eligible projects totaling \$5,000 or more
  - 5 / 10 / 15 / 20 year terms available

# SANBAG – Next Steps

- Prepare PACE Program Report Oct '12
- Jurisdictions consider approval of MOU for PACE Program Oct- Dec '12
- Resolution of Intention to Establish PACE Program Nov '12
- Notify potentially affected water and electric service providers Nov '12
- Notice of public hearing Dec '12
- Public hearing to establish PACE Program Jan '13
  - Approve PACE Program Report
  - Adopt resolution establishing PACE Program
  - Adopt resolutions authorizing issuance of bonds for residential and commercial PACE Programs
  - Adopt resolution authorizing filing of judicial validation actions
- File judicial validation actions Feb '13
  - Commercial
  - Residential
- Estimated completion of validation and program launch May '13



QUESTIONS?