

ICLEI USA's Save PACE Action Kit



Local governments: Act now to save PACE programs from shortsighted federal decision-makers at the Federal Housing Finance Agency!

July 15, 2010

What You Can Do to Save PACE

There is very little time left on the congressional calendar to save PACE this legislative season, and therefore swift action from the local level is key to saving PACE. Your local government can make a real difference by speaking out. Use ICLEI USA's Action Kit, which contains sample letters and a sample resolution, to take effective action today!

1) Contact your U.S. senators and representatives to support PACE

- See the sample letter and key messages in the Action Kit

2) Write a letter to the Editor in your local newspaper

- See the sample letter in the Action Kit

3) Pass a resolution to support PACE

- See the sample resolution in the Action Kit

To keep up with the latest developments on PACE, visit ICLEI's Local Action Blog at www.icleiusa.org/blog.

Introduction and Overview

Freddie Mac, Fannie Mae and their regulating agency, the Federal Housing Finance Agency (FHFA), have recently pulled the plug on one of the most innovative and promising tools for local governments to advance clean energy and create local jobs – property-assessed clean energy (PACE) financing programs. PACE programs had already spurred jobs development in our down economy and lowered our dependence on dirty fossil fuels in a time of devastating impacts to our Gulf Coast economies -- all the while lowering the cost to homeowners to pay their electricity bills.

This briefing provides the basics on PACE and the current situation and outlines the specific steps your local government can take to call on Congress to get PACE back on track. If you are already well briefed on the current PACE situation, you can skip the text below and open the sample documents in the Action Kit.

Why Are We Calling on Congress?

- Freddie, Fannie and the FHFA have now effectively stopped PACE with a series of letters that have made it extremely difficult for jurisdictions to choose to start up a PACE financing program.
- This attack came as PACE programs had already financed clean energy upgrades on thousands of homes across the nation in a handful of jurisdictions – and at the dawn of over 300 hundred other cities and counties gearing up to have PACE-like programs.

- FHFA will not change its decision -- now it is up to Congress to protect the right of local governments to use this innovative tool to advance local jobs and clean energy deployment.

How PACE Works

- PACE is a government program that allows property owners to finance energy efficiency retrofits and renewable energy upgrades by using low-interest bonds that generally have no recourse for the local governments issuing the program.
- Residential and commercial property owners in PACE districts have the option to receive long-term financing for efficiency and renewable upgrades which is then repaid through an assessment on their property taxes, thus spreading the cost over an average period of 20 years with an average annual payment of \$1,500. In the case of a sale, the repayment obligation transfers to the new owner through the assessment.

Why PACE Is Vital: Clean Energy and Job Growth

- Stopping catastrophic climate change will require rapid deploying efficiency and renewables at scale; PACE removes the two biggest market barriers to achieving this goal in the residential and commercial building sectors.
 - 1) Upfront Costs: PACE provides the upfront financing which is repaid in modest annual increments.
 - 2) Transferability: Many property owners fear that added expenses associated with clean energy upgrades to their buildings. PACE removes this barrier too - since new buyers only inherits an annual assessment with the upfront cost spread over decades.
- Local jobs – In California alone PACE programs have been estimated to potentially drive up to \$1 billion in new projects and create up to 20,600 jobs in the construction industry, which has been hit hard by the economic downturn.

PACE Is Based on a 100-Year Old Local Government Power

- PACE is a type of land-secured financing – over 37,000 land-secured districts already exist to finance street paving, parks, open space, water and sewer systems, and street lighting among other things. Many are concerned that FHFA's position may have wider implications for this time tested and familiar local government financing power.

Suggested Messages for Your Letters and Resolutions

- **The FHFA has infringed upon state and local rights and shouldn't stifle a tremendous local innovation: PACE.** PACE is an innovative local government solution that allows homeowners to voluntarily agree to a special property tax increase as a means of financing renewable energy and energy efficiency improvements. Assessing local property taxes is the province of local government. The Federal government – and its mortgage lending giants Fannie Mae and Freddie Mac – shouldn't trample on the rights of local government by stopping PACE. There are 37,000 special assessment districts that have been used to finance sewers, sidewalks, business improvement districts, yet federal regulators have singled out PACE and announced that clean energy assessment districts should not be permitted. In addition, to violating state's rights, this action impedes our nation's efforts toward fossil fuel independence.
- **PACE stimulates green job growth.** With these new restrictions in place from Fannie and Freddie, jobs are being lost, when they could be – and had been – gained thanks to PACE. Energy efficiency and independence are both national priorities, and PACE creates a strong local tool for supporting those important goals.
- **Urge Congress to fix this problem now.** Through the Department of Energy, the Obama Administration in April put \$150 million into the development of local PACE programs. Now Fannie Mae and Freddie Mac have thrown a wrench into the works and stopped PACE across the country. Congress, which chartered Fannie Mae and Freddie Mac, needs to step in to resolve this problem. Congress must pass legislation that clearly guarantees local government the right to assess special taxes for clean energy programs.

- **PACE is a voluntary property tax assessment – not a loan.** Fannie Mae and Freddie Mac are wrong to call PACE financings “loans.” A loan is made to an individual, who is responsible to pay it back. A tax assessment is made on a property. If an owner installs solar panels and sells the house three years later, the new owner will assume payments of the property tax assessment – and they will also get the benefit of lower utility bills. If that same homeowner were to get a loan to install solar panels and then moved after three years, the original homeowner would be responsible for repayment of the loan.