



CALIFORNIA HUB FOR  
ENERGY EFFICIENCY  
FINANCING

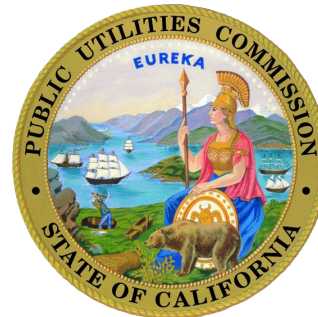
# Energy Investment Partnerships Webinar Series

*February 23, 2016*



# California Partners

- Reaching CA's energy and environmental goals through policies, planning, direct regulations, market approaches, incentives and voluntary efforts.



# Meet CAEATFA



- Housed within the State Treasurer's Office
- Board of five:
  - State Treasurer (Chair)
  - State Controller
  - Director of Department of Finance
  - President of the CA Public Utilities Commission
  - Chair of the CA Energy Commission
- Uniquely positioned at the intersection of state energy and finance policy since the 1980s.
- Develops market-driven financial assistance programs to support the State's energy and environmental policy goals.



# Existing Programs

- **Residential PACE Loss Reserve - \$10 Million**
  - Currently supporting over \$810 MM in residential PACE Financings
- **California Hub for Energy Efficiency Financing - \$65 million**
  - Unique collaboration on open market platform between CPUC, IOUs, CAEATFA, CSE, Lenders & Contractors
- **Sales and Use Tax Exclusion - \$100 million annually**
  - Tax benefit on manufacturing equipment for advanced manufacturers, and manufacturers of alternative source and advanced transportation technologies (EE, biogas, electric vehicles, storage etc.).
  - Recently expanded by legislation to include manufacturing equipment that processes or utilize recycled feedstock.
- **Working Group on Energy Efficiency Financing Programs**
  - Pursuant to a legislative directive, CAEATFA is creating a working group to develop criteria for a comparative assessment of CA energy efficiency financing programs.
- **Main State Issuer for Energy Related Bonds - \$212 million** in outstanding bonds (QECSs, CREBS, District Heating and Cooling)



# California Hub for Energy Efficiency Financing (CHEEF) Pilot Programs



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# California Public Utilities Commission has authorized 7 EE Financing Pilots

- First open-market, third-party capital, on-bill repayment platform in country
- \$65 MM -- Use of ratepayer funds as a credit enhancement to leverage private capital participation
- Project Flexibility to drive deal flow: 70% of financed proceeds must be for EE measures; 30% may be for other improvements
- \$10 MM in Marketing, Education & Outreach
- Robust data collection
  - Pre and post project energy consumption data
  - Loan/lease performance data



## CHEEF Pilots Residential Program Comparison

	<b>Residential Energy Efficiency Loan Assistance Program</b>	<b>Efficiency Finance Line Item Charge</b>	<b>Master-Metered Affordable Multi-Family</b>
<b>Products</b>	Loans, Retail Installment Contracts	Loans, Retail Installment Contracts, Payment Plans	Loans, Leases, ESAs
<b>Repayment</b>	Off Bill	On-Bill	On-Bill
<b>Credit Enhancement (\$25MM total)</b>	Loan Loss Reserve	Loan Loss Reserve	Debt Service Reserve Fund
<b>Occupancy Requirement</b>	Tenant or Owner	Owner Occupants	Owner
<b>Service Territory</b>	Statewide	PG&E	Statewide



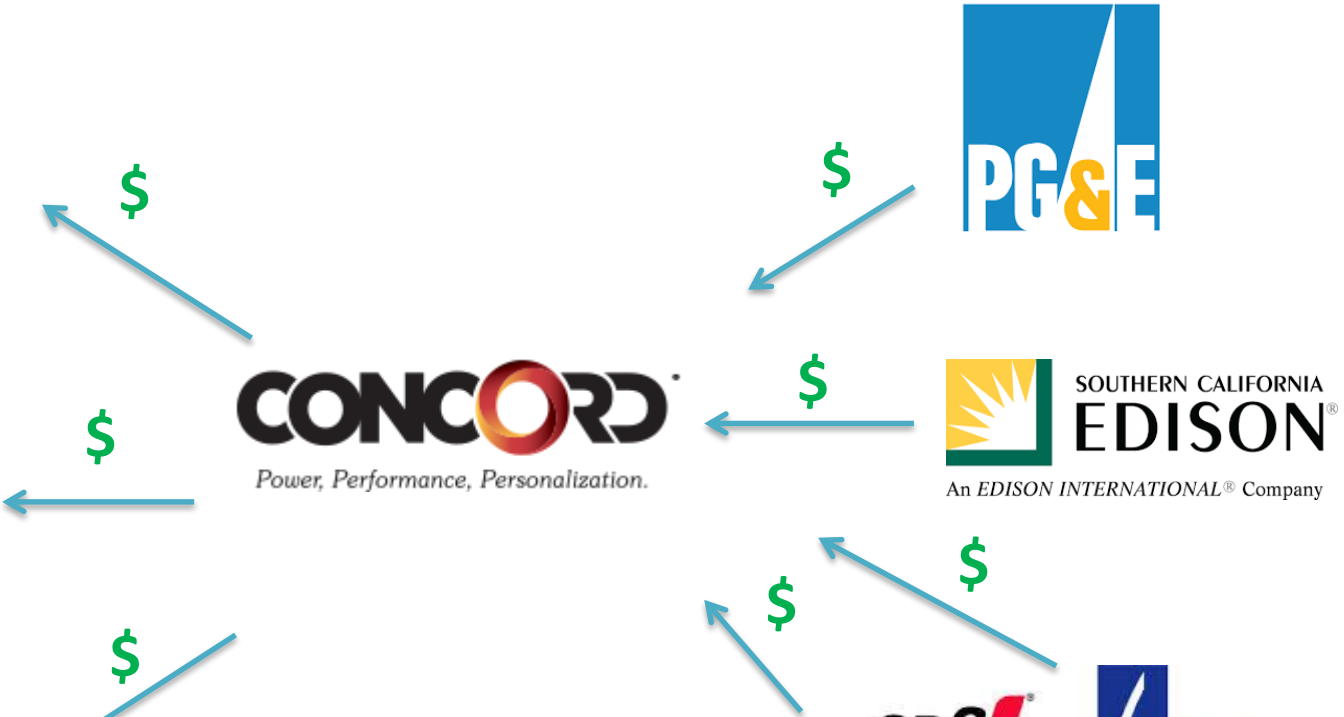
# CHEEF Pilots Commercial Program Comparison

	<b>Small Business Lease</b>	<b>Small Business Loan</b>	<b>Commercial OBR</b>
<b>Products</b>	Leases & ESAs	Loans	Loans, Leases, ESAs
<b>Repayment</b>	On-Bill	Off-Bill and On-Bill	On-Bill
<b>Credit Enhancement (\$14MM total)</b>	Loan Loss Reserve	Loan Loss Reserve	None
<b>Occupancy Requirement</b>	Tenant or owner occupants	Tenant or owner occupants	Tenant or owner occupants
<b>Borrowers</b>	Small Businesses and Non-Profits	Small Businesses & Non-Profits	Any size business, government and Non-Profit





# Open Market OBR platform provides a single point of contact for Capital Providers



A Master Administrator collects remittances from 4 utility companies, and organizes payments to multiple participating financial institutions.



# Need for consistency and simplicity is a key issue for stakeholders

## Financial Institutions

- Statewide consistency and simplicity
- Sale / Transferability of loans to investors
- Strong, credit-worthy bank needed to hold OBR payments
- Pre-Approval process to confirm loan eligibility prior to funding

## Contractors

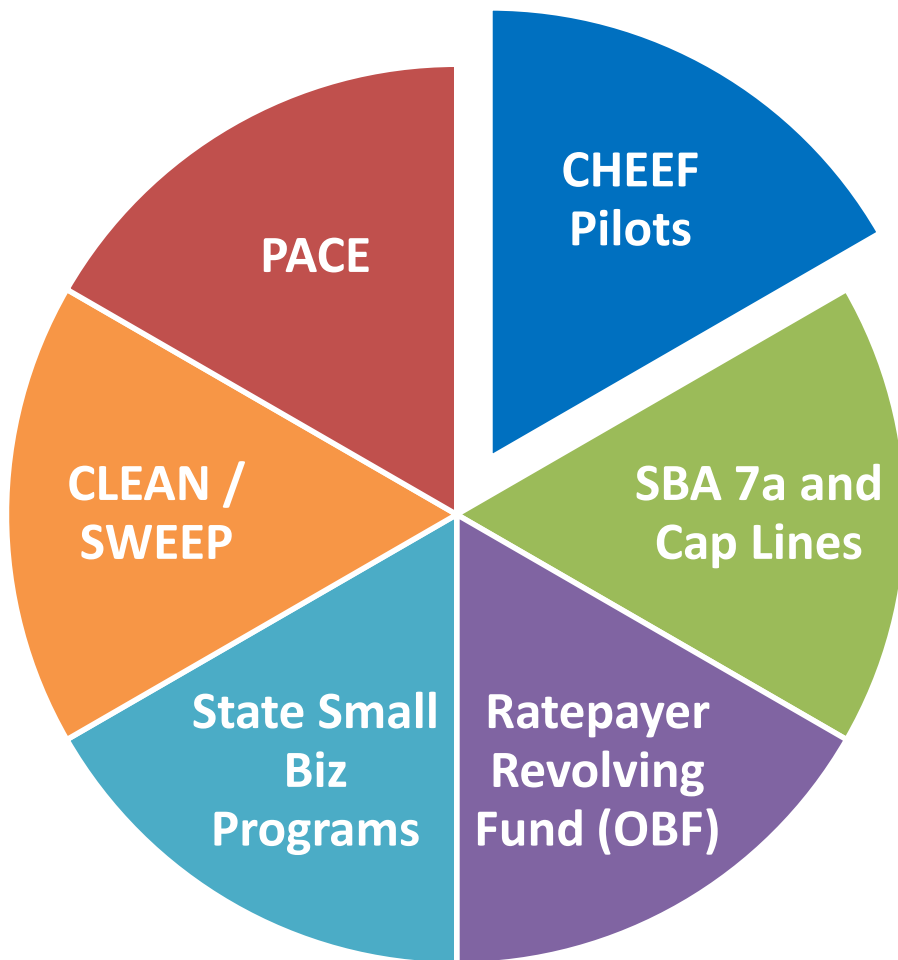
- Deal flow and marketing opportunities
- Statewide consistency and simplicity
- Quick credit approval process

## End Users/ Borrowers

- 100% financing, minimize capital outlays
- Flexibility to combine EE measures with other retrofits
- Simplified application and paperwork process



# CHEEF pilots complement existing programs that support small business Energy Efficiency

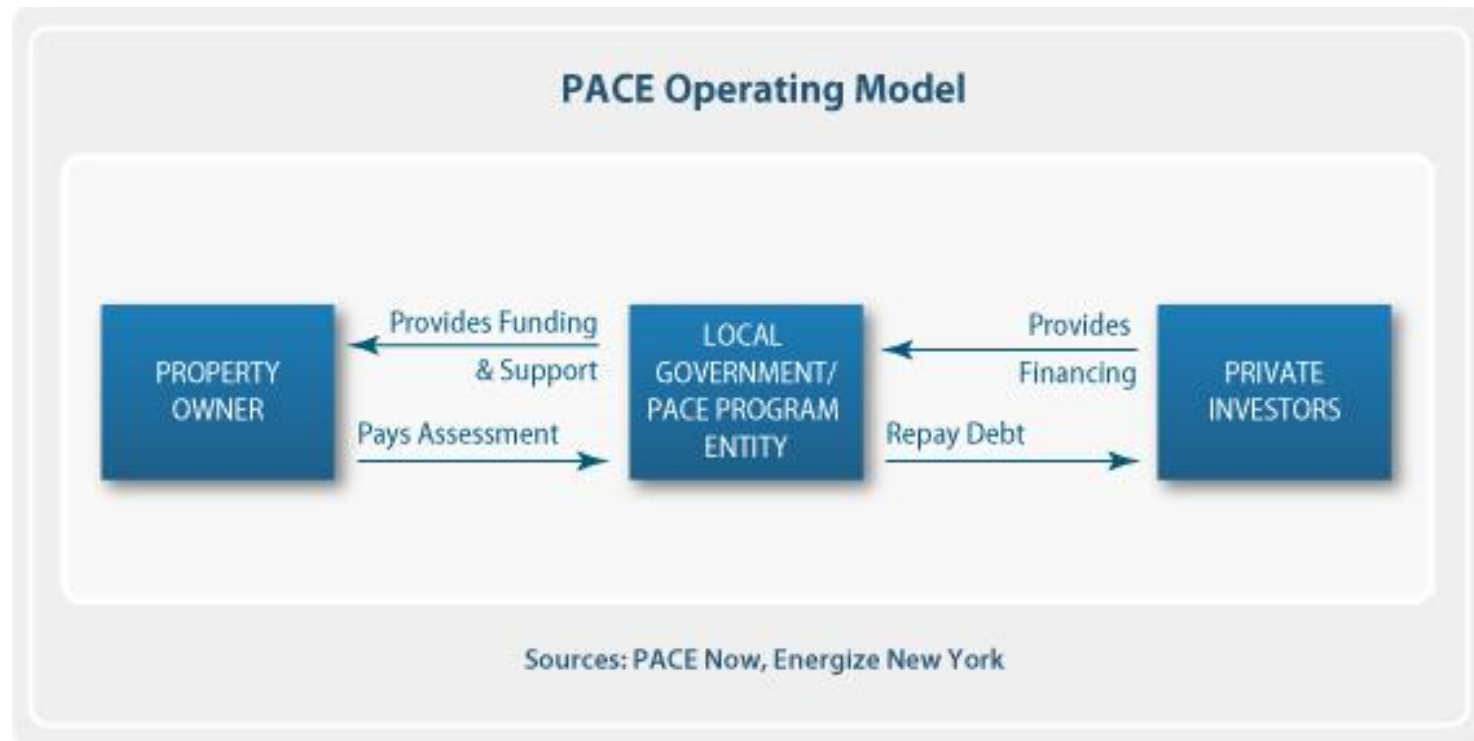


## CHEEF Niche:

- Borrower not required to pursue utility rebate or incentive
- Non Profits are eligible borrowers
- No cost for credit enhancement
- No requirement for borrower equity injection
- Supports loans, leases & ESAs
- Lender takes a portfolio strategy OR wants to avoid setting aside own funds as loss reserve
- Lenders control underwriting criteria
- No building equity required



# Property Assessed Clean Energy (PACE) Loss Reserve Program



# Policy Context and Origins

- In 2010, the Federal Housing Finance Agency (FHFA) raised concerns regarding the effect of residential PACE lien priority on mortgages backed by federal mortgage enterprises.
  - Because PACE assessments are collected through property taxes, in CA they have priority over other property-based debts, including a first mortgage.
- FHFA instructed federal mortgage enterprises to stop purchasing mortgages for homes with first-priority PACE obligations, leading most PACE programs to suspend their residential financing programs.
- In response to FHFA’s concerns, Senate Bill 96 (Committee on Budget and Fiscal Review, Chapter 356, Statutes of 2013) authorized CAEATFA to create:
  - “a PACE risk mitigation program for PACE financing to increase their acceptance in the marketplace and protect against the risk of default and foreclosure.”



# Program Structure

- The Budget Act of 2013 allocated \$10 million for the Loss Reserve.

Reserve puts first mortgage lenders in the same position they would be in without a PACE lien.

Reimburses PACE payments made by first mortgage lender while in possession of property with a PACE lien (**foreclosure**).

Reimburses losses, up to outstanding PACE payment amount, resulting from PACE assessment being paid before outstanding mortgage in a **forced sale** for unpaid taxes or special assessments.

- PACE administrators can participate in the Program by applying to CAEATFA and demonstrating that they meet the Program's minimum underwriting criteria.
- Once a PACE program is enrolled, the Loss Reserve will cover PACE financings issued by that program for their full terms, or until funds are exhausted.



# Enrolled PACE Programs

Program Name	Local Agency	Program Administrator	Areas Served	Date Enrolled
<a href="#"><u>mPOWER Placer</u></a>	County of Placer	County of Placer (Treasurer-Tax Collector)	Placer County	June 18, 2014
<a href="#"><u>mPOWER Folsom</u></a>	County of Placer	County of Placer (Treasurer-Tax Collector)	City of Folsom	June 18, 2014
<a href="#"><u>Berkeley FIRST</u></a>	City of Berkeley	Renew Financial	City of Berkeley	June 20, 2014
<a href="#"><u>Sonoma County Energy Independence Program</u></a>	County of Sonoma	County of Sonoma (Auditor-Controller Treasurer-Tax Collector)	Sonoma County	June 26, 2014
<a href="#"><u>CaliforniaFIRST</u></a>	California Statewide Communities Development Authority (CSCDA)	Renew Financial	State of California	June 19, 2014
<a href="#"><u>WRCOG HERO</u></a>	Western Riverside Council of Governments (WRCOG)	WRCOG and Renovate America	Western Riverside County	June 23, 2014
<a href="#"><u>SANBAG HERO</u></a>	San Bernardino Associated Governments (SANBAG)	SANBAG and Renovate America	San Bernardino County	June 23, 2014
<a href="#"><u>California HERO Program</u></a>	WRCOG	WRCOG and Renovate America	State of California	June 23, 2014
<a href="#"><u>AllianceNRG Program</u></a>	CSCDA	CounterPointe Energy Solutions	State of California	August 20, 2015
<a href="#"><u>LA HERO Program</u></a>	County of Los Angeles	County of Los Angeles and Renovate America	Los Angeles County	October 7, 2015
<a href="#"><u>CaliforniaFIRST in Los Angeles County</u></a>	County of Los Angeles	County of Los Angeles and Renew Financial	Los Angeles County	October 14, 2015
<a href="#"><u>Ygrene Works Program</u></a>	Golden State Finance Authority (GSFA)	Ygrene Energy Fund CA, LLC	State of California	October 19, 2015
<a href="#"><u>PACEfunding</u></a>	CSCDA	PACE Funding Group	State of California	January 22, 2016



# Residential PACE Terms & Interest Rates

Sonoma County Energy Independence Program	CaliforniaFIRST	Ygrene	HERO	mPOWER
7.0% (10 or 20-year)	6.75% (5-year) – 8.39% (25-year)	4.25% (5-year) – 9.5% (20-year)	5.95% (5-year) – 8.95% (20-year)	6.0% (5–20- year)

\*Interest rates are set based on market rates at the time of contract. Please visit the program’s website for the most current information.





# PACE - Program Activity

Represents residential program activity through June 30, 2015

Name	Program Launch (June 2014)		July–December 2014 Reporting Period		January–June 2015 Reporting Period		Current Outstanding Portfolio Enrolled	
	Count	Amount	Count	Amount	Count	Amount	Count	Amount
mPOWER Placer	464	\$10,502,382.62	312	\$9,540,534.04	313	\$9,007,272.29	878	\$44,537,362.74
mPOWER Folsom	3	\$54,181.18	4	\$86,847.90	12	\$358,423.79	19	\$858,358.59
Berkeley FIRST	13	\$299,233.74	0	\$0	0	\$0	12	\$272,231.98
SCEIP	1,550	\$43,702,974.25	65	\$1,524,472.34	67	\$1,659,819.77	1,475	\$41,157,542.98
CaliforniaFIRST	0	\$0	151	\$3,435,462.04	1,044	\$23,904,858.49	1,195	\$27,195,540.14
WRCOG HERO	9,911	\$189,339,784.00	1,757	\$34,971,957.65	1,535	\$33,837,187.89	12,795	\$252,378,022.05
SANBAG HERO	4,286	\$80,398,364.90	1,763	\$32,056,560.00	3,968	\$80,548,862.92	7,602	\$143,822,030.98
California HERO	1,174	\$25,974,938.48	2,970	\$67,054,570.85	6,035	\$138,783,046.73	10,326	\$240,306,305.35
AllianceNRG	---	---	---	---	---	---	0	\$0
LA HERO	---	---	---	---	---	---	2,364	\$58,058,307.36
CaliforniaFIRST (LA County)	---	---	---	---	---	---	54	\$1,579,194.02
Ygrene Works	---	---	---	---	---	---	0	\$0
PACEfunding	---	---	---	---	---	---	0	\$0
<b>Total:</b>	<b>17,401</b>	<b>\$350,271,859.17</b>	<b>7,022</b>	<b>\$148,670,404.82</b>	<b>12,974</b>	<b>\$288,099,471.88</b>	<b>36,720</b>	<b>\$810,164,896.19</b>





# Contact Us

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