**Subject:** Property Assessed Clean Energy Program - Status Report  
**Department:** Treasurer-Tax Collector Office  
**Meeting Date Requested:** May 21, 2019  
**Contact:** Peg Moak  
**Phone:** 530.552.3737  
**Fiscal Impact:** None  

### Department Summary:

The Residential PACE Program was authorized in Butte County in 2015 under provisions enacted by the State Legislature designed to provide financing for energy efficient home improvements. Since that time, a number of consumer issues came to the forefront, causing concern amongst tax collectors statewide. The California Association of County Treasurers and Tax Collectors spearheaded collaborative legislative changes to address concerns during 2017 through 2018. A number of consumer protection provisions were enacted, some of which became effective April of 2018 while others did not become effective until January of 2019. More legislative consumer protection action is pending nationwide: The federal Consumer Financial Protection Bureau is looking at requirements for the PACE industry that mirror mortgage and consumer finance laws, including Truth-in-Lending Act regulations.

Locally, a PACE Survey was developed and mailed to 600 Butte County homeowners with PACE liens in the Fall of 2018. Of those receiving the survey, 145 provided responses, which are summarized in the staff report, for reference. Most of the PACE liens on the tax roll in the Fall of 2018 were not subject to the new consumer protection provisions. The Survey comments indicate a lack of comparison shopping, confusion on financing terms and provisions, and concerns about the effect on future refinance or sale of homes, overall cost, sales tactics of contractors and, in some cases, poor workmanship. On the other hand, consumers are generally satisfied with the performance of energy efficiency improvements.

### Fiscal Impact:

None

### Personnel Impact:

None

### Action Requested:

Accept for information

**Administrative Office Review:** Meegan Jessee, Deputy Chief Administrative Officer  
**Revised:** April, 2019
Date: May 21, 2019
To: Butte County Board of Supervisors
From: Peggy Moak
Subject: PACE Program – Status Update

The Residential PACE Program was authorized in Butte County in 2015 under provisions enacted by the State Legislature designed to provide financing for energy efficient home improvements. Since that time, a number of consumer issues came to the forefront, causing concern amongst tax collectors statewide. The California Association of County Treasurers and Tax Collectors spearheaded collaborative legislative changes to address concerns during 2017 through 2018. A number of consumer protection provisions were enacted, some of which became effective April of 2018 while others did not become effective until January of 2019. More legislative consumer protection action is pending nationwide: The federal Consumer Financial Protection Bureau is looking at requirements for the PACE industry that mirror mortgage and consumer finance laws, including Truth-in-Lending Act regulations.

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Consumer Protection Legislation

In 2017-2018, a number of consumer protection provisions were enacted, some of which were effective in April of 2018 and others became effective in January of 2019:

- Ability to pay determination and verification of income PRIOR to approving financing
- Contractor may not commence work until the financing has been approved and a 3 day rescission period has elapsed.
• No funding for installation of energy efficiency products until a notice of completion has been validated by the PACE Administrator.
• Requirement that the inability to refinance or finance a home with a PACE lien for Fannie Mae, Freddie Mac and FHA (the 3 major US lenders and guarantors) is plainly stated in large print on contracts.
• Financing terms must be verbally verified in a recorded phone conversation, including all property owners or note signers while reviewing a written contract, page by page.
• Several other smaller issues were addressed, including the complaint process and the Department of Business Oversight ability to receive annual reports from PACE Administrators, require specified training and standards for PACE solicitors, maintain lists of bad actors and provide a hotline/web-based complaint process for consumers.

On the concerning (sub-prime) side, concessions to get the consumer protections include:

• More liberal provisions for recency of bankruptcy (from 7 to 4 years)
• More liberal provisions for recency of late payments, including lates on mortgages (formerly 12 months with no late payments, and now only six months).

Fire – hardening legislation:
PACE is now available (with specific Board approval) for improvements designed to make houses more fire resilient, some of which were already allowed, but now it’s not just energy efficiency, its sealing eaves, replacing roofs, siding, installing fire resistant attic and subfloor vents, etc.

**Butte County PACE by Location**

<table>
<thead>
<tr>
<th>Location</th>
<th># Participants</th>
<th>Location</th>
<th># Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chico</td>
<td>335</td>
<td>Durham</td>
<td>8</td>
</tr>
<tr>
<td>Oroville</td>
<td>161</td>
<td>Greater Oroville</td>
<td>6</td>
</tr>
<tr>
<td>Paradise</td>
<td>44</td>
<td>Forest Ranch</td>
<td>4</td>
</tr>
<tr>
<td>Magalia</td>
<td>26</td>
<td>Richvale</td>
<td>1</td>
</tr>
<tr>
<td>Gridley</td>
<td>12</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

A PACE Survey Summary from Fall 2018 is attached for your reference. 145 responses were received, compared to approximately 600 PACE participants on the tax roll. Subject matter highlighted in **green** indicates positive results, and those highlighted in **amber** indicate areas of concern.
## PACE SURVEY 2018

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is the improvement meeting your expectations for energy savings?</td>
<td>86%</td>
<td>14%</td>
</tr>
<tr>
<td>Do you feel that the total cost of the improvement, including fees and interest costs, is cost effective?</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td>Did you obtain competitive bids on the project from other contractors?</td>
<td>35%</td>
<td>65%</td>
</tr>
<tr>
<td>Were you satisfied with the workmanship of the contractor?</td>
<td>88%</td>
<td>12%</td>
</tr>
<tr>
<td>Did you obtain competitive pricing on financing from banks or other resources?</td>
<td>19%</td>
<td>81%</td>
</tr>
<tr>
<td>Do you believe you would have qualified for bank financing for this improvement?</td>
<td>68%</td>
<td>32%</td>
</tr>
<tr>
<td>Did the PACE Administrator provide a full explanation of the terms and conditions of the financing?</td>
<td>66%</td>
<td>34%</td>
</tr>
<tr>
<td>Did you sign the PACE financing contract on a tablet, or on a printed copy?</td>
<td>63% Tablet</td>
<td>37% Printed Copy</td>
</tr>
<tr>
<td>Did you receive an emailed or printed copy of the contract?</td>
<td>84%</td>
<td>16%</td>
</tr>
<tr>
<td>Were you aware that the PACE lien will likely have to be paid in full should you wish to sell or re-finance your home?</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Do you believe you had a complete understanding of the terms of the financing, and how the property tax assessment would affect your bi-annual tax payment?</td>
<td>57%</td>
<td>43%</td>
</tr>
</tbody>
</table>

**Legend:**
- Concerns
- Good news

*(Homeowner Comments attached)*
PACE SURVEY COMMENTS 2018

Thank you for informing us of the PACE fine print in the property tax statement. We were never told that the three largest lenders in the USA would not fund any loans/refinancing or that the PACE loan would have to be paid off before selling/refinancing. (I know it must have been in the final docs) The interest rate is crazy - if paid over 30 years it will be more than we paid for our house! A 39k loan will cost 81k! Total cost /w interest for solar and HVAC system 120K! We needed a new system (heater/ac/duct work all broken) and no way to pay for it. So we went w/ this, the only loan we could get. At 70 years old if prop 13 gets reversed we will lose our house. The advantage for us is with the electricity savings from the solar. We haven’t had an electric bill over $6. since the May 2018 installation but winter solar gathering and electric bills are yet unknown. Our monthly electric bill average was $200. the monthly PACE loan amount added to our property tax is $334. so, there is a savings of approximately $134. per month. And we have the added bonus of a great new HVAC system, ductwork and insulation, which we are very happy with. Royal Aire was great - very satisfied with them - just upset at the interest rate and length of the loan.

I would not recommend PACE financing to friends or family, PG&E is also forcing people with solar to be on a Peek on Peek off meter. This causes charges to be larger for solar owners.

I had hoped to be able to pay the PACE financing down by now but have not been able to.

I felt like the details of the loan were deliberately made opaque to me. I agreed to the PACE loan encouraged by the contractor's sales representative because it was quick and convenient at the time. I never would have signed up for the loan had someone handed me a document with all of the actual costs and fees prior to the purchase. Instead, everything was done on the representatives tablet which made it very difficult for me to see and understand the true cost and ultimate inconvenience of this loan program until after everything was done. I accept some of the blame for not pushing to see everything in writing first, but overall regret using this program. A major motivation for purchasing the solar panels was to relieve a little financial pressure on my growing family, but now I feel even more pressure to try to pay off this expensive loan as quickly as possible. (Early payoff is also more inconvenient and expensive than I anticipated.)

We actually feel taken advantage of by this financing option. It was pretty much pushed on us as the best way to finance and that we "didn't need to worry about getting a conventional loan for this improvement". We were also lead to believe that repaying the costs would be easy; when in fact they are not. We feel that, as first time homeowners, this type of financing should be considered predatory; we had no idea what we were getting into and this process was dumped on us to
secure a quick sale because of how easy it was to qualify for; I mean honesty, what kind of business would deny someone when they get to put a tax lien on a house that is going up in value? Ridiculous. My wife and I consider this our biggest financial blunder, ever.

Looking back, I wish I had just paid in full for my new roof, and been done with it. The property tax amounts are painful.

Not enough solar panels. Too many years to recoup cost. Did not explain about the extra cost to property tax per year. They said it would have to be paid in full at time of home sale, not for refinance. They said it would cost us $25,000. I would not do this way again and tell others not to. But to get solar at better cost by doing their own financing per their bank.

Interest rate is too high. Getting the PACE loan and their customer service was helpful, but we made an additional "big" payment and that was not as easy as promised.

They told us there would be no lien on the house.

Unaware of PACE fees until after solar installed. Only obtained bids for HVAC, not solar. PACE Administrator provided a full explanation of the terms and conditions of the financing after work began. They said the PACE lien could be transferred to the new owner. Had to call three times to complete understand terms of the financing and how the property tax assessment would affect bi-annual tax statement. I was aware of interest rate & attachment as lien.

I was not aware of $2000 start up and $2000 interest. Not aware APR was 4% more than rate.

I was not informed of how the loan was to be paid back. A monthly payment would have been easier to handle.

Mom doesn't always hear clearly. She doesn't remember very well also. Therefore, questions were answered within those parameters.

If I had known that they would be placed in first position and that I can not refinance until paid off I would of never done this.

Not sure that the PACE program was a beneficial means of obtaining financing. The solar system has lowered my PG&E bill significantly.

PACE explanation was a little vague. Have to put more emphasis on starting the payments to escrow as soon as possible. More explanation on what happens when it's time to sell house.

I would have never allowed a lien on my property. That was misrepresented. They took out a 4 ton unit and replaced it with a 3.5 ton unit. When I called about a
problem with a 8 foot slider, they are gone. No longer in Roseville or California! Who researched these contractors? Who has the means to go after them?

Somewhat meeting energy savings expectations, somewhat cost effective overall. I don't know if I would have qualified for bank financing for this improvement. Not really a beneficial means of obtaining financing.

We understood the financing except for the payoff portion. This has been paid in full already.

I was told that paying off the PACE lien to sell the house was negotiable - buyer will often pay it off. I have not paid PG&E a single dollar since the solar switch was flipped!

I do not feel the terms were explained fully. I refinanced my home to pay off the loan when I learned of the interest rate.

I wish the process was more transparent with taxes - I have been waiting and waiting to find out what my bill would be, but could never get a straight answer. Then it just appeared and I am behind in my tax bill. I would have rather paid in advance...

I thought a seller could sell this loan with the house.

The only concern we had was communicating with PACE staff. They were not very professional nor did they seem to understand their own program.

Our new roof is a "cool roof". I believe that it did help keep our house cooler this summer. We are very pleased with it. Energy efficiency was a side benefit.

I knew nothing about the PACE program. Only thru the person who came out and told me about it. I didn't realize it would be a big hike in my property taxes.

I work in the mortgage industry and have a better understanding of how loans work. I could see how it would be confusing to someone who doesn't understand all of the ins and outs of a PACE loan.

Easy to get the loan but interest is too high doubling up so your mortgage is a lot more. And at the end of it all the solar system cost 2-3 times more with the interest charges. Wasn't aware need to pay off PACE loan before you can sell or refinance house too.

May be cost effective if we live here long enough. Don't remember if signed the contract on a tablet or printed copy. Didn't receive copy of the contract until after the project was complete. Didn't understand the terms of financing, but understood how it would affect my tax payment. I received no financial documents until after the project was complete. I was surprised by the 8% fee that was
immediately added to my loan. I was also surprised by the 8% interest rate. Making extra payments was time sensitive and the process was difficult. I paid this loan off as soon as I could because it was so very frustrating. Honestly, I am embarrassed that I allowed the project to move forward with so little understanding of the financing program. My AC unit was struggling and Chico gets hot!

We can't re-finance now and may lose our house due to lien not refinanceable. Call me if you have questions. Not happy!

We did not go with PACE we went with [redacted] Financing.

Don't know yet if the PACE program was a beneficial means of obtaining financing.

Was told it could subordinate but upon further inquiry discovered that option is no longer available. Obtaining a payoff statement took 2 months. Lien paid in full but still on tax bill for new tax year. Was told I need to pay in full & then seek reimbursement (by county). Have reached out to PACE with no return call & no acknowledgement of payoff receipt. Feel taken advantage of.

I was told the financing could transfer to the new owner if I sold my house.

I am 90% gas. My now ex & solor company should have realized that.

The production for the year is only about 60-65% of what it was supposed to be. Unsightly and poor install job w/conduit running in the middle of inside walls, shoddy patch job on a hole they accidentally cut. Was not aware that the PACE lien would have to be paid in full before selling. That was the only selling point for the PACE loan - "If we sold, the lien will continue to be paid through property tax by the buyers." I knew the property taxes would go up, but I thought the first several months before the first payment was due was free. (which is naïve, I know). I realized later that I'm paying more this way because no money down means interest grows. I sent in $5,000 several months toward the principle balance and I never received a receipt. I only got a phone call about a month later asking me how much I paid. It was also extremely difficult just getting a hold of them. (i.e. many phones call(like 6)).

Who is PACE? This is the first time I have heard of PACE, [redacted] yes.

I went with this company because it sounded like a good deal. The paint job of painting the outside was done efficiently. It is guaranteed for 50 years, which sounded great. It is supposed to insulate the house as well. I'm not sure that it helped or not. It was pricey, but if you spread out over 50 years, then I guess it is comparable. I'm sure I could have gotten a loan, but I didn't think about. The PACE program sounded good.

We did not realize the payments would be added to our tax assessment.
Energy savings are not big enough. They did not know how to do the correct paperwork with PG&E, cost 2 months. The installer sold as being passed on to the next buyer and that you can deduct it as property taxes. The installer was very slow at getting everything installed and now they are out of business. Never again!

Not sure yet if this will be the most financially beneficial, but I really wanted to put in solar and add to more clean energy use.

It could have been explained better made clearer about all future payments.

PG&E’s end of year settle up bill is very high and goes up every year. It's hard to pay all at once! I used my vacation pay to cover it.

Nowhere was I told that it would affect my ability to re-finance my home.

As time goes on, the contractor told me many things that are not true, he was very aware of my situation and my finances and he straight up lied to me, he in no way worked in my favor. Its a burden and hardship to me. When I contacted the financial carrier, they won't work with me either.

I didn't truly realize just how much it increased my house payment. 2. I would like a statement each year on the balance, also why did take almost a year to start the payments.

I would note that I am happy thus far - as it's been less than a year. Terms and payments seem fine, but it is hard to determine what it will look like financially by the end of the repayment in regards to PACE vs bank financing. Have a great day.

It is cost effective, but my taxes are going up 3000 more than what I thought it would. Thought it was beneficial at the time. I’m refinancing my home so the loan will be paid off, but I was told it was not a good deal. You pay 30 years before you start to pay on the loan. I think my taxes were going to be doubled.

Not at all satisfied with the workmanship. Big mistake, bad company. They screwed me told me no interest. Not second mortgage.

Somewhat satisfied with the workmanship. Somewhat obtained competitive pricing on financing. PACE Administrator somewhat provided a full explanation of the terms and conditions. Somewhat beneficial means of obtaining financing. I think the solar companies are very expensive. Pricing the solar components separately, was surprisingly low. Solar companies are making a whole lot of profit. Looks like price gouging to me!

First year system was not turned on. Had to pay PG&E $1,200.00. Plan to use PACE for windows in the future. You can call me for clarification
This group selected seniors, they tried again spring of this year.

I would have gotten a personal loan. If it was explained to me to be a lien on my 1st mortgage, plus my city loan has to be paid in full if I pay it off. I’d never do it again.

The tax payment would be easier if we were allowed to make monthly payments on the tax bill.

I was not informed of many factors. I feel [redacted] actually misrepresented some financial factors. Also- every time they send someone out, the employee states "It shouldn't have been done this way". Meaning work done by [redacted].

They said if we sold it would be paid by the new owner. The roof is great! No complaints. We needed our roof replaced & asked for the reflective roofing for energy efficiency. We can't tell the difference so not sure it was worth the extra money. Called the rep. several times to get receipts for repairs to see if insurance would pay for some of it. Said he would send info – never did.

I am so very upset at the predatory lending of the PACE program! 30 years payments cost 120 thousand! Really? Lien on house / tied to property tax! Really? We had our system installed in May of 2018 and our home burned down on November 8th! Now we owe 40 thousand on a system we had for 5 months! But they still get their money but leaves us short for rebuilding! Plus paying crazy amount for property taxes! Will be contacting a lawyer.