Introduction to Residential Property Assessed Clean Energy (PACE)

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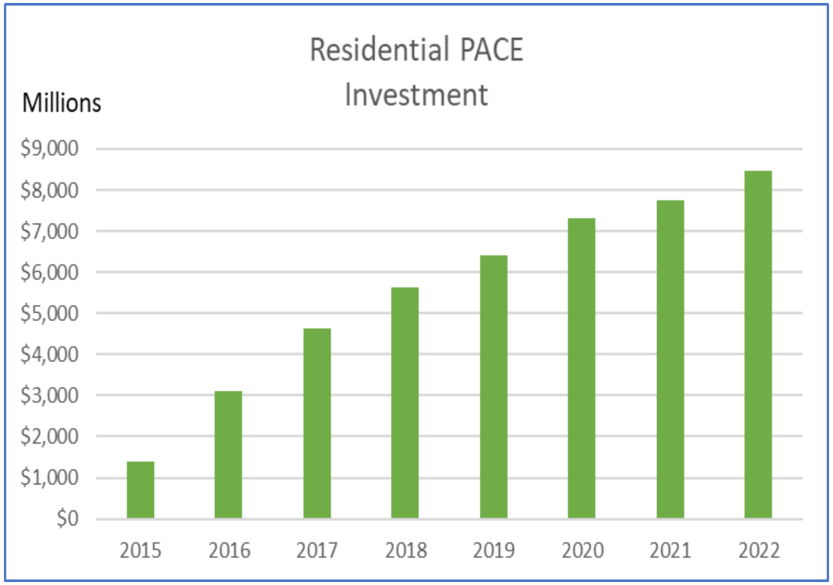
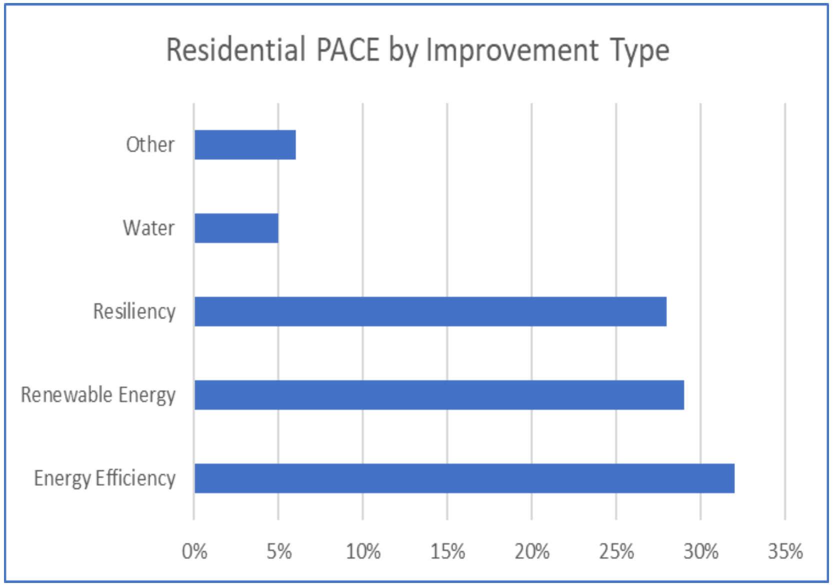
A Brief History of PACE in the U.S.

- PACE was first implemented in Berkeley, CA in the early 2000s
- Utilized the concept of bond financing through tax assessments for public benefit improvements
- Public benefit was expanded to include energy efficiency and renewable energy
- PACE legislation in 38 states, but Residential PACE only enabled in CA, FLA, and MO





- 344,000 home upgrades
- 137,000 jobs created

Data through 3/31/2023
Provided by PACENation

PACE – Establishing A Program

- PACE legislation gets enacted by a state
- Individual Tax jurisdictions (usually Counties) can opt in
- Tax jurisdiction authorizes PACE Administrator that sets rules & eligible improvements
  - Max PACE amount
  - Max LTV
  - Primarily energy efficiency, renewable energy, and more recently resiliency improvements
- Home owners apply to PACE Administrator for funding
- Tax Authority adds assessment to property tax bill & creates mini bond
- Investors/Capital Providers purchase bond
- Bond proceeds pay for improvements
- Tax Authority collects taxes (including PACE payments) and pays Capital Provider

PACE legislation enacted and Property Tax Authority opts in

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PACE Administrator establishes guidelines

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As applications approved, PACE Bonds issued and sold

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County collects tax assessment and makes payments to Investor

Residential PACE in Action

Property Owner signs up for PACE

- Property Owner determines needs and solicits contractor
- Applies for PACE financing
- Property owner executes voluntary tax assessment lien

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Capital Investor provides funds for improvements

- Taxing Authority creates PACE Bond
- Capital Provider purchases PACE Bond
- Funds held in trust account

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PACE Administrator pays Contractor

- PACE administrator (trustee) disburses funds to the contractor as improvements are completed

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County collects tax assessment and makes payments to Investor

- Property owner makes PACE payments along with property taxes
- Tax authority makes bond payment to Capital Provider

PACE Pros and Cons

PROs

For Property Owner

- 100% financing of eligible improvements
- Programs not dependent on Credit Score
- Long term, fixed rate financing
- Assessment runs with property

For Capital Provider

- Lien is superior to 1st mortgage
- Loss given default extremely low

CONs

For Property Owner

- Failure to pay could result in foreclosure
- Assessment not dependent on quality/effectiveness of improvements
- Mortgage lenders may require PACE payoff upon sale or refinance

For Capital Provider

- No acceleration of total PACE amount upon default
- Foreclosure subject to Tax Authority process