

# Western Riverside Council of Governments: Regional PACE Program

Western Riverside, CA  
Population: 1.7 million  
Size: 2,100 square miles  
[www.wrcog.cog.ca.us](http://www.wrcog.cog.ca.us)  
951.955.7985

The Western Riverside Council of Governments (WRCOG) is comprised of 17 cities in Western Riverside County, the County of Riverside, the Eastern Municipal Water District and the Western Riverside Water District. It is a subregion of the Southern California Association of Governments, stretching from Orange County in the west to the City of Banning on the eastern edge and City of Temecula on the southern edge. It is a fast-growing region, with a diverse mix of development. WRCOG is the joint powers agency that provides the region's collective voice on important regional issues.

## WRCOG's Property Assessed Clean Energy Program

In July of 2008, California passed Assembly Bill 811, allowing local governments the authority to enter into voluntary contractual assessment programs with property owners and to offer low-interest financing that would be repaid over time through annual property tax payments. This allows local governments the ability to finance the installation of renewable energy sources – like solar – and energy efficiency improvements to structures, making them more affordable. When used for clean energy improvements, these are commonly referred to as “property assessed clean energy” (PACE) programs.

WRCOG hosts a Technical Advisory Committee of city managers, county and water district executives from across the region. In the fall of 2009, the Committee expressed interest in pursuing this new legislation. They made a recommendation to WRCOG's Executive Committee to create a

regional-scale model PACE program for energy-efficiency and water conservation (similar legislation for water conservation improvements was passed a year after AB 811). Following direction from the Executive Committee, WRCOG solicited proposals for the development of a regional-scale program and hired Public Financial Management (PFM) as their consultant in 2010.

The original plan was to create a large municipal bond program to fund the loan program, but like many other programs across the country, this was sidelined by the concerns raised by Freddie Mac and Fannie Mae. Working with its consultants, WRCOG came up with an alternate solution, establishing partnerships with other finance and investment firms to raise private investment. WRCOG found that there was great interest in investing in clean energy in their region and a total of \$325 million in investment funds were acquired for the program. The investment partners, to date, for this project include Renovate America, which contributed \$100 million in asset-backed micro-bonds for residential projects; Samas Capital, which finances the \$200 million targeted for small and medium-sized commercial projects; and Structured Finance Associates, LLC,

which manages the \$25 million loan program for large commercial projects. In addition to these partners, the team has brought in specialists to help record and track the assessments, and a bond rating agency so all assessments are given credit ratings.

While the funding was being secured, WRCOG worked with its partners and its

*With the launch of the HERO Program, we are excited to offer residents and businesses in Western Riverside County this valuable financing opportunity. The Program offers a unique combination of economic and environmental benefits, as it will provide needed construction-related jobs, help property owners realize utility bill savings while improving their properties, and reduce greenhouse gas emissions associated with energy use.*

– The Honorable Robin Hastings,  
Councilmember of Moreno Valley, CA and  
Chair of WRCOG's Executive Committee

committee to develop the policies and procedures for the program. Using Sonoma County, California's program as a guide, the team worked out details such as which jurisdictions would participate, qualifications, terms, application processes, types of eligible improvements, penalties and marketing, among other details. Following the stipulations of AB 811, WRCOG submitted regular reports to its Executive Committee. The entire process took approximately two years, with about eight months dedicated to working on the complexities of the program and another year to secure credit ratings on the assessments.

WRCOG's "Energy Efficiency and Water Conservation Program for Western Riverside County" was launched in December 2011. It is the combination of three programs:

- *HERO Residential* – Managed and financed by Renovate America, this program has \$100 million available for financing to install eligible products for residential property owners.
- *HERO Commercial* – Utilizing over \$200 million in financing provided by Samas Capital, this program offers financing for 125 kW or smaller renewable energy projects, plus eligible energy efficiency and water conservation products, for all types of commercial properties.
- *HERO Large Commercial* – Managed and financed by Structured Finance, this program has \$25 million in financing to support financing for 125 kW or larger renewable energy projects, plus eligible energy efficiency and water conservation products, for all types of commercial properties.

With separate firms managing each of these programs, WRCOG works in coordination and has administrative capacity, maintaining a consistent marketing campaign and serving as the lien holder. When a loan is approved through one of these programs, WRCOG and the property owner enter into an assessment contract, through which WRCOG pays the up-front costs of the eligible improvements. Working with the County's Tax Collector, WRCOG

then places an assessment lien on the property, and the property owner repays the improvements as part of an annual assessment on the property tax bill over a specified period of time. WRCOG hopes to meet its goals of providing financing to over 13,000 residential and commercial property owners in the region, helping property owners save energy and significantly reduce energy use and utility costs, and creating an estimated 4,000 local jobs.

### Lessons Learned

In addition to the projected benefits to the economy and environment, WRCOG has viewed this program as an excellent way to coordinate regionally. Due to the high level of complexity in developing and administering the program, it makes most sense to administer it at a regional scale. With \$325 million available, WRCOG's Program is the largest PACE program of its kind in the United States; its approach is being emulated by others in Southern California and across the country.

The biggest challenge during the process of developing and launching WRCOG's regional PACE program has been giving it sufficient time. As WRCOG and its team responded to several hurdles along the way, the time to project launch had to be pushed back. The two most time-consuming hurdles were the development of the program policies and procedures, and awaiting credit ratings (which has taken over a year in some cases). WRCOG recognized, however, that both of these steps are critical to the project's success. After diligently working on the project for over two years, WRCOG had a successful launch at the end of 2011. Like the firms financing the three difference programs, WRCOG has not received any state or federal funding for this effort. However, once the program is underway, a small administrative fee will help WRCOG cover costs. WRCOG's Executive Committee and Director view this program as an important benefit to its communities – both in terms of energy sustainability and economic development – and therefore, an important regional objective.



# Tool #8:

## Regional PACE Programs

### What is it?

The Property Assessed Clean Energy (PACE) program is a financial model used by municipalities to help make solar more affordable. PACE programs provide building owners and lenders the ability to finance the upfront costs of an energy investment such as solar panels through a property tax repayment method, which maintains the repayment with the property even if it changes hands. This allows property owners to receive low-interest finance options from their local municipality with long-term loan repayment periods. Because of the regulatory uncertainty surrounding PACE programs on the local level, regional planning organizations stand to play an important role in providing these energy investment incentives within their jurisdictions.

Benefits of the PACE program include: offering a loan attached to the property and not the individual (and thereby transferrable); the potential to deduct the loan interest from federal taxable income as part of the local property tax deduction; and, savings to property owners on energy costs while paying for their solar energy system, usually resulting in a net gain.

### How do you do it?

1. Determine whether or not there is local authority to administer PACE in your region.
2. Consider issuing a Request for Proposals (RFP) to hire an outside consultant with expertise in PACE program financing.
3. Develop a financing structure that provides enough revenue to cover the principal and interest payments, administrative costs and a reserve fund to cover participant delinquencies. Look at existing bond authorities or establish partnerships with finance and investment firms to raise private investments.
4. Engage a committee to develop policies and procedures for the PACE program. Include such details as: which jurisdictions will participate, qualifications, terms, application processes, penalties and marketing.
5. Determine where the administration of the program should be housed and clearly delineate all stakeholders' roles. A regional planning organization is well positioned to serve as the main point of contact or lead convener for the project.
6. Educate local installers, applicable committees or workgroups and consumers on the benefits of the program.
7. Market and disseminate information online and through workshops and/or webinars.

### Who else is doing it?

- Western Riverside Council of Governments (WRCOG) in California developed a regional-scale model PACE program for energy efficiency and water conservation. For more information see the WRCOG case study on page 22 of this *Guide* or visit <http://www.wrcog.cog.ca.us>.
- The Sonoma County Energy Independence Program in California provides local property owners to finance energy efficiency, water efficiency and renewable energy improvements through a voluntary assessment. For more information, visit <http://www.sonomacountyenergy.org/>.

### Where can I get more information?

- The Database of State Incentives for Renewables & Efficiency (DSIRE) provides a list of state, local, utility and federal incentives and policies promoting renewable energy and energy efficiency, including PACE programs. <http://www.dsireusa.org/>
- The U.S. Department of Energy's Weatherization and Intergovernmental Program provides information on the status of the Pilot PACE Financing Programs. <http://www1.eere.energy.gov/wip/pace.html>
- PACENow's mission is to promote the use of PACE programs to increase energy retrofits nationwide. The website provides a wealth of information about PACE programs. <http://pacenow.org/blog/>
- The University of California, Berkeley's Guide to Energy Efficiency & Renewable Energy Financing Districts for Local Governments covers issues such as financing, marketing, legal issues, and program administration for PACE programs. <http://rael.berkeley.edu/sites/default/files/old-site-files/2009/FullerKunkelKammen-MunicipalEnergyFinancing2009.pdf>
- The U.S. Department of Energy's Solar Powering Your Community: A Guide for Local Governments is a comprehensive resource created to assist local governments and stakeholders in designing and implementing a strategic local solar plan. The guidebook includes a section on PACE programs on page 41-45. [http://www4.eere.energy.gov/solar/sunshot/resource\\_center/resources/solar\\_powering\\_your\\_community\\_guide\\_local\\_governments](http://www4.eere.energy.gov/solar/sunshot/resource_center/resources/solar_powering_your_community_guide_local_governments)