PACE Loan Programs: Best Practices & Recommendations

(from Berkeley FIRST survey, HPRC & CLA case study reports)

-**Low interest rates**. Berkeley FIRST's rate was 7.75%, almost twice the rate of a home equity loan. This was cited as the primary reason for 27 of the initial 40 enrollees dropping from the program. **Pooling** resources in larger-scale PACE programs is one commonly-cited method to reduce interest rates.

-**Upfront cost** can limit the amount of program participation. For example, LIGH found that when retrofits were repaid through energy bills, many consumers were turned away by an inability to meet high upfront installation costs. Thus, loans repaid through property taxes have the advantage of little/no upfront cost. Educating consumers on state & federal **rebates** available could also help reduce loan principal costs.

-**Outreach/education** can greatly expand the impact of the program by motivating owners to install systems using other means of financing. For example, 0% of the FIRST participants stated they would have installed PV systems without exposure to the program, and 67% of the individuals who withdrew from the program installed PV systems using other funding sources.

LIGH launched an extensive outreach campaign at public parks, pools, and beaches, offering free merchandise (water bottles, reusable bags) and distributing energy questionnaires. CSLP's marketing plan included reaching out to utilities, the Sierra club and other local groups. CSLP also spent $5,000 on telemarketing, which stimulated interest in the program but low follow-up rates for implementing retrofits.

-**Energy audits** work to maximize the effectiveness of PACE loans; however, providing an energy audit alone does not necessarily increase the number of retrofits. For example, initially Boulder's program only offered low-cost auditing services, and found only 10% of residents completed a retrofit after the audit, while less than 50% pursued even simple measures such as purchasing CFLs. Thus, post-audit follow-ups and financing were key to their program's success.

-**Energy efficiency requirements**. Some programs (LIGH) require homeowners to first undertake energy efficiency retrofits, in order to maximize the impact of any renewable systems installed. However, others (SCEIP) only encourage customers to do EE first, in order to provide project flexibility.

-**Local input** from public officials, banks, and contractors is key to the success and flexibility of future programs. For example, Berkeley found that some contractors preferred to be repaid by the homeowners directly, and experienced initial resistance to government compensation.

-**Workforce capacity-building** is provided by some programs, either directly by program staff, or indirectly by allotting some of its budget to fund outside trainers. While retrofits can provide work to the hard-hit construction sector, more auditor training is needed to meet demand.

-**Equity and Access.** Spots for Berkeley's PACE pilot were filled within 15 minutes, so a lottery system may be more equitable (especially if Internet access is limited). Some states also provide free energy audits & weatherization services, or lower interest rates to low-income residents.

See also:
Home Performance Resource Center (HPRC) case studies, best practices white paper
http://www.hprcenter.org/

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Program Participant Surveys (conducted by Berkeley FIRST, Boulder CSLP)

-Motivations cited as "very important" by Berkeley FIRST enrollees included environmental impact (100%), lower electricity costs (50%), ease of obtaining financing (50%), tax transferability (40%), and simple application process (30%).

-Referrals In Boulder's program, 40% of loan applicants were motivated by information sessions and staff referrals, 22% came through public events, print, or Web site referrals, 14% were referred by friends, family or neighbors, 13% were referred by their utility company, and 11% came through local government sources. Sonoma County also integrated contractors into their sales teams to bring in more applicants.

-Annual income of Berkeley FIRST enrollees was $100-150,000. By contrast, 50% of individuals who withdrew from the program earned between $60,000-150,000/year. All FIRST participants, and 80% of individuals who withdrew, had an outstanding mortgage on their home.

Further Resources

Berkeley FIRST
http://www.ci.berkeley.ca.us/ContentDisplay.aspx?id=26580
Contact: Neal De Snoo, Energy Program Manager, 510-981-7439 NDeSnoo@cityofberkeley.info

Berkeley FIRST survey, final evaluation to be released Spring 2010:
http://www.ci.berkeley.ca.us/uploadedFiles/Planning_and_Development/Level_3_-_Energy_and_Sustainable_Development/Berkeley%20FIRST%20Initial%20%20Evaluation%20%20final%20%282%29.pdf

California FIRST website: http://www.californiafirst.org/homeowners.html

Long Island Green Homes (Babylon, NY)
http://ligreenhomes.com/page.php?Page=home
Contact: Sammy Chu, Project Director, 631-422-4411
schu@townofbabylon.com

Long Island Green Homes & Buildings Consortium
http://www.townofbabylon.com/news.cfm?id=314&searchDate=12/1/2009

ClimateSmart Loan Program (Boulder, CO)
Website: http://www.bouldercounty.org/bocc/cslp/index.html
Contact: Jill Dieterich, 303-441-3542
ClimateSmart@bouldercounty.org

Sonoma County Energy Independence Program (SCEIP)
http://www.sonomacountyenergy.org/
Contact: Rod Dole, Program Administrator, 707-521-6200
rdole@sonoma-county.org

Climate Leadership Academy case studies
http://www.bouldercounty.org/bocc/cslp/casestudy.pdf

Links to other states' PACE legislation, additional information
http://www.pacenow.org/

Department of Energy underwriting best practices/guidelines (May 7, 2010)
http://www1.eere.energy.gov/wip/pdfs/arra_guidelines_for_pilot_pace_programs.pdf

List of DOE Retrofit Ramp-Up grantees, including state of Maryland (April 22, 2010)
http://www.energy.gov/news/documents/Retrofit_Ramp-Up_Project_List.pdf