

# DOE Best Practice Guidelines for Residential PACE Financing Programs



# Overview

---

- Purpose and goals
- DOE revised “Best Practice Guidelines for Residential PACE Programs”
- DOE information resources for states and local, real estate professionals and appraisers
- Summary and next steps

# Residential PACE Guidelines: Purpose and Goals



## Property Owners

- Lower energy costs
- Low up-front costs
- Improvements may increase property values
- Contractors vetted and additional consumer protections



## Businesses

- Efficient financing mechanism to fund energy efficiency, renewable energy, and water conservation projects
- Marketing and lead generation
- Potential for larger work scopes
- Increased volume, revenues



## Communities and Environment

- Reduced GHG emissions, dependence on fossil fuels
- Job creation and economic development
- Increased property values

**Well-designed PACE programs can benefit homeowners, businesses, communities, and the environment**

# DOE Revised Best Practice Guidelines

DOE released draft *Best Practices Guidelines for Residential PACE Financing* for public comment from stakeholders on July 19, 2016.

The revised guidelines:

- Reflect the evolving structure of the PACE market and incorporate lessons learned from active PACE programs
- Includes best practices for residential PACE programs, and recommended consumer and lender protections
- Information resources for appraisers on valuation of energy-related improvements
- Recommendations for data collection and evaluation of PACE financing programs, including cost-effectiveness, energy savings, and non-energy benefits.



# DOE Revised Guidelines: Updates

---

- Eligible measures and property owner eligibility
- Consumer and lender protections
- Quality assurance
- Real estate transactions and appraisals
- Data collection and evaluation
- DOE tools and resources

# Eligible Measures and Property-Owner Eligibility

- Establish criteria for eligible improvements that are consistent with the public purpose of the programs, as defined by each state or locality
  - Can include health and safety measures necessary to install improvements and structural resilience (e.g., seismic, wind resistance)
- Prioritize cost effective improvements when making improvement recommendations to homeowners, and generally limit investment to those identified measures
  - **Recommended approach:** Establish a list of eligible energy efficiency and renewable energy measures that incorporate national standards, such as ENERGY STAR, state-specific, or approved product lists
  - Energy assessments recommended (but not required) as a way to identify cost-effective improvements
- Property owner should have sufficient equity based on accurate valuation (assessed value or appraisal) and clear title

# Consumer and Lender Protections

- Property owner education and disclosure
  - Provide disclosures to consumers on how PACE financing works, terms, rates and fees, and homeowner obligations
  - Provide disclosures on impacts of failure to pay and how PACE may impact options to sell or refinance their property
- Appropriately size the assessment
  - Establish a maximum assessment amount (e.g. 10 – 20% of estimated property value)
- Document PACE improvements
  - Improvements made, estimated cost and savings, lender notification, homeowner (rebate and tax credit eligibility), and public records (assessor data, MLS)
- Public disclosure
  - Standardized recordkeeping and disclosure of PACE improvements to homeowners, prospective buyers, lenders, appraisers, and real estate professionals

# Property Appraisals and Real Estate Transactions

- It is important to document upgrades and provide relevant information to those involved at point of sale (e.g., realtor/broker, appraiser) so that parties to the transaction are informed and knowledgeable about improvements financed through PACE.
- Recommended approaches
  - Offer the Home Energy Score (or other assessment) before and after PACE upgrades are completed
  - Establish a real estate advisor to assist with questions on PACE assessments and improvements
  - Engage appraisers and real estate professionals on the benefits of energy improvements and how to complete real estate transactions involving PACE assessments

# Quality Assurance, Data Collection, and Evaluation

- PACE programs should collect and analyze data to evaluate the efficacy of PACE programs and understand the financial performance and energy and cost savings realized from PACE assessments.
- Helpful data to collect includes:
  - Installed measures
  - PACE assessment amount
  - PACE assessment default and delinquency
  - Mortgage default and foreclosure
  - Expected energy and cost savings
  - Borrower data (e.g., FICO score, debt-to-income ratio)
  - Actual energy consumption and costs for a minimum of 12 months before and after installation of measures.

# DOE Resources for States and Local

- **State and Local Solution Center**
  - Provides resources to advance successful, high-impact clean energy policies, programs, and projects.
    - Design, implement clean energy programs, including financing
    - Reports, webinars, case studies and links to other financing resources
  - <http://energy.gov/eere/slsc/state-and-local-solution-center>
- **Better Buildings Residential Program Solution Center**
  - Provides step-by-step guidance to help program administrators and their partners plan, operate, and evaluate residential energy efficiency programs, including financing
  - <http://rpssc.energy.gov>
- **Home Energy Score**
  - Helps homeowners and homebuyers understand how much energy a home is expected to use and provides suggestions for improving its energy efficiency
  - [www.homeenergyscore.gov](http://www.homeenergyscore.gov)

# DOE Resources for Real Estate and Appraisers

- DOE is working in partnership with appraisal organizations and the real estate industry to help ensure homeowners realize the investment value and benefits of energy efficiency.
  - [Better Buildings Home Energy Information Accelerator](#)
    - 28 national and local partners working with DOE to make home energy information readily available at relevant points in residential real estate transactions.
  - White paper, “[Capturing Energy Efficiency in Residential Real Estate Transactions: Steps That Energy Efficiency Programs Can Take](#)”
  - Partnerships with the appraisal industry and resources for appraisers
    - **The Appraisal Foundation**
      - [Valuation Advisories for appraisers](#)
    - **The Appraisal Institute**
      - [Delivery of training and education to appraisers and real estate agents](#)

# Summary and Next Steps

- Residential PACE Guidelines
  - Visit the [State and Local Solution Center](https://energy.gov/eere/slsc/property-assessed-clean-energy-programs) to learn more and submit comments (deadline August 19)
  - <http://energy.gov/eere/slsc/property-assessed-clean-energy-programs>
- PACE resources and technical assistance
  - DOE resources and technical assistance to support PACE program design and adoption
    - Online workshops and peer exchange opportunities for states and local
    - Develop and disseminate best practices, share lessons learned with stakeholders
    - Analyze PACE program impacts and program design options

# For More Information

---

- Steve Dunn, Project Manager  
Building Technologies Office  
[steve.dunn@ee.doe.gov](mailto:steve.dunn@ee.doe.gov)
- Eleni Pelican, Policy Advisor  
Weatherization and Intergovernmental Programs Office  
[eleni.pelican@ee.doe.gov](mailto:eleni.pelican@ee.doe.gov)