

Testimony by Ben Taube, Managing Director, Ygrene Energy Fund

Chairman and members of the committee I appreciate the time that you are allowing me to speak this morning. I would like to start by introducing my company and providing you all a little background on our journey into Property Assessed Clean Energy financing. In 2008, Ygrene Energy Fund was launched in Northern California by a founder that had spent many years as a regional bank owner and witnessed the need for alternative options to give property owners access to capital for building retrofits and energy efficiency upgrades and therefore launched its first program in 2009. Since that time, local governments hired Ygrene to administer PACE programs on their behalf and we have been a leader in the PACE market, now operating in over 500 cities in the States of Georgia, California, Florida, and Missouri.

As of February 2018, we have trained almost 3,000 contractors, completed over 40,000 projects, funded over \$1.2 billion in the marketplace – at no cost to taxpayers – and created and sustained over 17,000 jobs in the communities we serve. Including other PACE providers, nearly \$4.5 billion in private capital has been deployed to working class families across the U.S. And, if you look at the residential vs. commercial market, the commercial market represents \$583 million and just 1,200 projects, according to PACE Nation.

We have analyzed in Pennsylvania on a most modest estimation, 1% market penetration, that if we were to work with Local Governments to offer PACE to homeowners it would create approximately \$800 million of new economic investment in Pennsylvania over the next few years. Again, that is just 1% of the market share – I should remind you traditional banks and financing companies own the other 99%.

Across the board, PACE numbers speak for themselves. There are approximately 5.6 million housing units in the State compared to 299,000 commercial properties based on the most recent census estimation.

The fact is, when local governments adopt PACE, residential PACE scales roughly 10 to 1 when only launching commercial. Why limit the ability of property owner differentiation and why limit local government choice to offer PACE to all property owners?

Today you're going to hear from other voices claiming that PACE is bad for homeowners and that people are at risk of losing their homes– but that couldn't be farther from the truth.

Here are the FACTS:

- To date, PACE has helped more than 150,000 homeowners obtain long-term financing at competitive rates for energy efficiency, seismic retrofits, hurricane protection and other property renovations. One note to mention is that over 70% of what we fund for homeowners in Florida is pre and post disaster mitigation projects. New windows, roofs,

shutters, generators, etc. and homeowners are seeing insurance premiums drastically reduced.

- PACE is also one of the most successful and fastest growing energy saving programs in the country – period. It is one of the public policy tools that is truly a win-win for local governments and the State. No cost to local jurisdictions and generates economic impact day one.

You're also going to hear how PACE is causing people to lose their homes. This simply is a FALSE narrative.

- Unlike the reckless lending practices brought to you by the mortgage industry just 10 years ago.... Underwriting standards for PACE are far more robust than the mortgage banking industry's practices will tell you. Remember that PACE is tied to very specific and defined uses and is based on the fair market value of property, available loan to value equity in the property, stringent know before you owe disclosures, right to cancel provisions, completion of building permits and inspections, property owner affirmative of project completion prior to contractor funding, among much more. The point is that the industry has matured beyond what you hear in the from opposition and the newspapers.
- Additionally, homeowners who have taken advantage of PACE actually have a LOWER tax delinquency rate than the average – in fact, those who invest in efficiency improvements are a THIRD LESS likely to default. The industry data proves that owners with PACE financing have significantly lower default rates when compared to the mortgage industry standards.

To be clear, PACE does NOT impact government revenues.

- Companies like mine are hired by local governments to administer their programs.
- It is a voluntary, privately-funded driver of economic prosperity in local communities.
- PACE has created more than 30,000 jobs, at NO COST to public budgets.
- You would be hard-pressed to find public private programs in this country that have seen the same results and success rate.

You're also hear a lot about the MYTH that homeowners simply don't understand PACE.

- PACE providers have worked to enhance already existing, consumer safeguards.
- As an example, legislation adopted over the last few months and years (in CA) STRENGTHEN consumer protections even further. We as a company streamline this practice regardless of the State we operate in.
- Know before you owe disclosures and attention to documentation that explicitly explains the financing structure.
- We perform a recorded welcome call that explicitly explains financing structure to the property owner. NO OTHER financing requires confirm term calls. We give a 3 day right of cancellation as well.

- Property owners must be satisfied with the work performed before payment to the contractor can even begin.

You'll probably hear that PACE burdens home sales.

- Homeownership increased 3% in PA in 2017.
- A [Journal of Structured Finance report](#) also found homes with PACE upgrades have a higher net resale value up to \$8800 compared to homes without.

The mortgage banking industry would have you believe that PACE is the Goliath and they are David, when it is, in fact, the other way around.

- Again, PACE is less than 1% of the financial market. We entered the industry to provide homeowners a financing mechanism to make needed energy and resiliency improvements on their homes – and now, they want to push out the little guy.
- Let's also review the reality of a non-recourse and non-accelerated PACE assessment. The only portion of the PACE assessment that has a lien priority is that which is in arrears not the whole assessment. A PACE assessment by its nature cannot accelerate. The way a PACE assessment accelerates is that a property owners decides to pre pay the assessment. So, when compared to a mortgage or home equity line of credit which fully accelerate upon default, the PACE assessment of say \$1200/year is the only portion that is paid when a default would occur.

Despite what you may see in news reports critical of PACE, there is little statistical evidence of PACE contractors systematically targeting low-income areas.

- In fact, studies show that low-income households are LESS likely to participate in PACE. Our average FICO score is 670 and higher; average PACE assessment is roughly \$21,000; and the average loan to value ratio for users is 70% and lower.

Broad brush criticisms of PACE demonstrate a clear misunderstanding of how the program works.

- PACE assessments are only available for properties where the owner demonstrates currency on payment of mortgage and property tax obligations and no bankruptcy filings over a number of years.
- Ygrene is available to more than 35 million Americans and has financed projects for over 41,000 residential and commercial property owners.

Pennsylvania has the opportunity to be for innovative policy, not against it.

Ultimately, they have the opportunity to adopt a leading-edge statute to allow property owners to have access to local government programs and capital for critical home improvements that can, and will, improve their quality of life.

It is our desire to see the State take this opportunity and provide owners a choice while not limiting this to one property class. Much like other States have gone down this path I would

recommend inclusion of residential in an amended bill to address the particularities of the residential market as well as assigning oversight of the creation of Consumer protection policies in collaboration with the industry to an appropriate State agency like Department of Community and Economic Development.

Let me conclude on a more personal note. I have been involved in the PACE market since its inception. Before entering the private sector, I worked for the City of Atlanta as the Mayor's Environmental Officer for a number of years and understand the PACE implementation from both the local and private angle. I, too, started an energy efficiency NGO working with 13 States and was integral in assisting them to develop policies that promoted energy efficiency and renewable energy programs, so I truly see the value in a comprehensive PACE statute for Pennsylvania. I appreciate your time today and again thank you for your time this morning and I am open to answering any questions.