Most Energy Retrofit Financing Programs In Limbo Due to FHFA Action – Some Move Ahead Anyway:

A program that allows local governments to loan money to residents for energy upgrades to their homes and recover the money through property tax assessments has been highly popular, with some 200 local governments in California alone in some stage of implementing the program.

Sometimes referred to as AB 811, named after the California legislation allowing local governments to undertake this effort, or PACE, a Department of Energy grant program that provides $150 million in grants to local governments for program start-up funds, this new concept promised to be a boon to local economic development. It provides jobs to unemployed construction workers, reduces energy costs for homeowners, and keeps more money in the local economy.

California Congressman Mike Thompson calculates that PACE financing could create 160,000 green jobs nationwide while saving homeowners from $5,000 to $14,000 in energy costs over the lifetime of their loan. At the same time, these programs can reduce GHG emissions by at least 220 megatons.

California state officials have estimated that PACE programs, most of which are just months old, could result in up to $1 billion in new projects in California and create more than 20,000 jobs in our recession-wracked construction industry.

However, on May 7th, the Federal Housing Finance Agency, which oversees Fannie Mae and Freddy Mac, sent out a shocking letter announcing guidelines that restrict the ability of most homeowners to participate in the program. Despite outcries of opposition from local governments, the State, and the Obama Administration, the letter was followed up by another FHFA statement on July 6, codifying their position. In addition, banking regulators have made clear that they will oppose any program in which PACE assessments are in the senior lien position — that is, any situation where a local government is first in line for reimbursement if a property is foreclosed.

This program had offered a highly welcome, win/win option in a time of economic distress. Thus, from the first moment it was stalled, there has been a plethora of activity to get FHFA to change its position, providing some hope that FHFA will be overruled and the program will be allowed to continue.

Attorney General Jerry Brown announced this month that he is initiating a “major action” against Fannie Mae and Freddie Mac, along with FHFA, for blocking the financing program. Brown’s suit demands that the court apply California law and require Fannie Mae and Freddie Mac to recognize PACE assessments for what they are — tax increments, not liens.

Senator Barbara Boxer, along with Congressmen Mike Thompson, has introduced legislation that would require lenders to adopt new, sound underwriting standards that support PACE financing programs rather than stymieing them. It would treat PACE assessments the same as other property tax assessments and respect states’ authority to secure such assessments with a first lien.

In the interim, as these concerns are addressed and ultimately resolved, the Los Angeles County Energy Program is moving forward to achieve widespread energy efficiency retrofits as planned through a Resolution of Participation. More than 62% of all Los Angeles County cities have already passed a Resolution of Participation. The County says this will help their property owners be able to commence with the program once the dispute with FHFA is resolved.

In Sonoma County, the jurisdiction that was first in the nation to implement this program, county supervisors at first determined that they would halt their retrofit loans in light of the FHFA position. “It’s just a disaster,” said Craig Thompson, vice president of the Redwood Empire Remodelers Association. A dozen of the Association’s 75 members have invested thousands of dollars each to gain certification in energy retrofit work since the program started in March 2009. “That investment is now lost,” he said.

A week later, a furious Board of Supervisors reversed their decision. Supervisor Valerie Brown announced that the County would move ahead with the home retrofit program. The County has already approved in excess of $30 million in energy efficiency and water conservation projects for some 1,000 homes.

Brown thinks the likelihood of the County losing money on this program is slim. “The reality is that the people coming to us for retrofits are not the people defaulting on their mortgages. They’re the people who are staying in their homes. Nobody is saying, ‘I’m about to go into foreclosure, I think I’ll remodel my kitchen.’” Sonoma County’s program has already loaned $30 million for more than 1,000 residential and commercial improvement projects, including window and door upgrades and renewable power systems such as rooftop solar and have not experienced a single loan default.

Sonoma County has just taken the issue to court. Their lawsuit is similar to one filed...
Charlotte Trolley launched a 1.8-mile ride, to reestablish its historic transit system, the antique trolley might someday translate into a fanciful ride into the past, the trolley also won’t solve congestion and high-density growth would be necessary if transit were to succeed.

In the meantime, the Administration is supporting other innovative financing approaches already developed by PACE grantees. One financing option is assessments that are subordinate to first mortgages. This concept is being piloted in Maine and may offer some promise in other states as well. DOE has offered to work with grantees and other PACE stakeholders to explore whether the approach is feasible for other local governments and if it is, establish appropriate criteria and standards.

In addition, DOE will help local governments identify other approaches to retrofit financing, including, but not limited to unsecured revolving loan funds and on-bill utility financing programs. Recovery Act grantees will find resources and background information on additional financing products at the DOE Financial Products Solutions Center by visiting www1.eere.energy.gov/wip/solutioncenter/financialproducts.

Learn How Charlotte’s Highly Successful Transit-System Happened — Join Us at the February 2011 New Partners for Smart Growth Conference: While Charlotte, North Carolina, has in the past, been a vast suburbia of cul-de-sacs and strip malls, its new light rail line is a national model for success, outstripping ridership projections and inspiring millions of dollars in high-density development.

The development it lured — several thousand condos and apartments, dozens of new restaurants and stores, and roughly half a billion dollars in private investment — has shown skeptics that light rail is more than just transportation, it can lead to economic success — and not just in Portland!

In the 1980s, many top leaders in North Carolina, from both political parties, realized that regional transit was needed. But any suggestion of taxes to fund it was unthinkable in the North Carolina state legislature. Two tough barriers had to fall: Convincing a conservative electorate that transit wasn’t a frill, and finding millions to build it.

The City took its first step toward transit in 1996, with a short trolley line. After eight years of fundraising from private sources to reestablish its historic transit system, the Charlotte Trolley launched a 1.8-mile ride, drawing crowds who savored the taste of old-fashioned streetcar travel. While it offered a fanciful ride into the past, the trolley also had the effect of demonstrating what might be possible in the future.

Also in 1996, six months into his first mayoral term, Republican Pat McCrory put transit atop his agenda. He lobbied relentlessly — not about carbon footprints or global warming — but about transit as an economic development tool. The legislature finally voted up a half-cent sales tax for transit, but only if Charlotte voters would approve it. In 1998 they did — construction could begin!

McCrory led the effort to change old suburban-style development patterns in order to encourage walkable, mixed-use development near transit stations, understanding that building roads alone won’t solve congestion and high-density growth would be necessary if transit were to succeed.

Development in the Charlotte light rail station areas now includes 45 projects totaling more than $247 million as of April 2010, including 100 affordable housing units out of a total of some 1,400 new units, and 700,000 square feet of office and retail space.

Transit riders have turned out in droves. Before light rail opened, the projection was that the weekday ridership would average 9,100 in the first year. But in the first month of operation alone, that estimate turned out to be 3,000 people too low.

McCrory lists four critical steps to success: Build a bipartisan team of business and community activists, evangelize the long-term vision of transit, create a regional governance structure for transit, and build rail lines where they’re needed, rather than where they’re politically popular.

Attendees at the LGC’s 2011 New Partners for Smart Growth Conference, February 3-5, will have a chance to take a first-hand look at the Charlotte transit success story. This event will mark the tenth anniversary of this popular conference that has been gaining in popularity every year.

For information on the last New Partners for Smart Growth Conference and free, downloadable PDF files of the PowerPoint presentations go to go to www.newpartners.org.