

FROM YGRENE – RESPONSES TO QUESTIONS POSED BY SBCCOG BOARD AND STAFF

Sent by Olivia Rose

Government Sales Director

Ygrene Energy Fund

C: [323.868.9104](tel:323.868.9104) | F: [323.544.0237](tel:323.544.0237)

E: olivia.rose@ygrene.us | www.ygreneworks.com

1. An explanation on what Mello-Roos is, how you obtained it and how you differ from HERO with liens etc.

SB 555 is the superior version of PACE financing for several reasons:

1. Fully tax deductible
2. Longest repayment terms / lowest payments
3. Strongest consumer protections

SB 555 (Ygrene)

Senate Bill 555 (2011) (“SB 555”) amended the Mello-Roos Community Facilities Act of 1982 and authorizes a jurisdiction to form a voluntary special-use community facilities district to finance (or re-finance) the acquisition, installation, and improvement of energy efficiency, water conservation, renewable energy and other improvements to or on real property and in buildings, whether the real property or buildings are privately or publicly owned. Property owners within the district, by executing program financing agreements, effectively vote to annex their properties into the district, authorize levy of a special tax and approve recordation of a special tax lien which only affects their parcel. Financing is repaid through biannual imposition of special tax levies on the improved property for terms not to exceed the useful life of the improvements or 40 years (30 years in the case of the Ygrene Works program), whichever is less.

AB 811 (HERO, CalFirst and Figtree)

Assembly Bill 811 (2008) (“AB 811”) amended Chapter 29 of the Streets and Highways Code and allows a jurisdiction to form a voluntary contractual assessment district to finance energy-efficiency, water conservation, renewable energy generation and electric vehicle charging infrastructure improvements that are permanently attached to private real property. Amortized repayment of the funding for these projects is secured by property tax assessments authorized by the owners of the improved properties. Liens remain with the property upon change of ownership unless paid. Property owners voluntarily enter into a program financing agreement that authorizes recording of an assessment and tax lien on their property to secure project financing. Assessments are repaid through biannual, non ad valorem property tax installments at fully amortized fixed interest rates for terms approved by the jurisdiction.

2. Why Both Programs?

Ygrene and GSFA fully intend and expect to operate the SB 555 version of the PACE

program. However, in order to ensure that the Ygrene Works program remains the most innovative, cost effective and most secure PACE program, we are establishing both the AB 811 and SB 555 models from the outset. Should market conditions, consumer demand and/or legislative changes affect one program more than another, there will be the flexibility to switch without any service interruption to the City/County and its residents.

Probably the most important differences relate to the fact that, unlike AB 811 assessments, the SB 555 special taxes are true, above the line, property taxes. By signing our finance agreement, which is 100% voluntary, property owners effectively vote to annex their property to the district, the resulting taxes are technically involuntary.

There is no bulk assessment recorded against the property, nor separate principal and interest components, so the annual tax is fully deductible (rather than only the interest component as with AB 811 assessments.) We always state we are not tax professionals and recommend property owners consult with their tax professional regarding eligible tax write offs.

Another benefit is the nearly blanket exclusion of taxes in prohibitions found in deeds of trust against encumbering property used to secure loans. This gives residential property owners access to the unilateral right to elect impounds as protection, written into the CA standard form trust deed, against default claims by lenders (strong consumer protection).

2. FOR RESIDENTIAL projects, does YGRENE require a whole house assessment to obtain funding or can home owners obtain funding for a single project without being required to do a whole house audit.

On residential properties we recommend an energy audit but do not require it. On commercial projects over \$250,000 we do require an energy audit, it's done internally by Ygrene.

And if you have any insight the industry streamlining this sort of funding process, so cities don't have to adopt a resolution every time new funding or companies come out as additional funding sources.

At this time adopting the resolutions in one meeting is the most streamlined process available when adding a PACE provider to your city.

3. The protection statement for the homeowners dealing with redline concerns?

The FHFA has not included redlining as a potential consequence to participation in PACE programs since at least 2010. The primary issue is their official position of not purchasing or insuring mortgages where a PACE lien is attached to the property. The way the PACE industry, not just Ygrene, has approached this issues includes:

- Disclosure - property owner notification at multiple points in the application and approval phase,
- Data sharing - approximately 85% of all home sales and refinancing that occur where a PACE lien is on the property have the lien transfer to the buyer (the other 15% is where the new buyer had the seller to pay off the loan)
- Market intelligence - it has been reported that a number of leading mortgage institutions have agreed to some sort of 'make whole' provision with Fannie Mae and

Freddie Mac in the event that a mortgage holder defaults with a PACE lien on the property,

· Legal protection - the standard California Deed of Trust (DoT) contains remedies for this exact situation (the placement of special taxes on a parcel with an existing mortgage in place); one of these remedies is the ability of the property owner to satisfy a lender's objection by setting up an impound account to hold future tax payments in reserve on a monthly basis.

· Again, specifically addressing the redlining concern, a) the FHFA has not included this action in memos dating back to 2010, b) there is no evidence of the practice in the marketplace, and c) it is illegal.

For property owners, Ygrene has the following safeguards:

- Ygrene recommends multiple bids from qualified contractors
- Ygrene recommends an independent energy audit be completed
- Ygrene provide full and multiple disclosures regarding the possibility of having to repay early (at time of sale or refi)
- Ygrene requires a signed contract between the property owner and installer including scope of work, warranties, and terms & conditions
- Ygrene requires all work be inspected and permitted by the city in which it occurs
- Ygrene requires approval and acceptance (in writing from property owners) before Ygrene pays contractors
- Ygrene offers dispute resolution in the event that work is not performed or completed per the contract
- Ygrene does not allow our loan to exceed 100% property value

4. How you pre-screen and approve your contractors and your outreach to local contractors?

For contractors, Ygrene requires:

- Comprehensive training on PACE and the Ygrene program
- Trained that it's not a city sponsored/endorsed program
- Fully licensed, bonded and insured (as required by law)
- In good standing with the CSLB and BBB (no open, adverse actions)
- Certification only complete when issued a unique 'contractor number' by Ygrene
- Annual re-certification and subject to suspension and/or termination at any time
- Signs a 'contractor agreement' (agreeing to abide by the rules & regulations of the program and all applicable laws)

5. A matrix – possible from city staff reports – of the different services and interest rates of HERO, Figtree and Ygrene

Please see attached. These have been completed by other cities. We have completed our Ygrene Summary which gives a complete overview on our program.



Government Sponsor	<i>Golden State Finance Authority (formerly known as CA Home Finance Authority)</i>
Program Website	www.ygreneworks.com
Projects Financed (as of April 2015)	3,500+ projects totaling over \$259 million in approved and completed projects.
Cost to Participating Governments	None
Local Validation Action Required	Statewide district formed. Currently, implementing a statewide validation for both SB 555 and AB 811. Validation will be completed in July, 2015.
Eligible Property Types	Both commercial and residential financing available (Multifamily, Retail, Industrial, Agricultural and Non- Profits (e.g., Churches).
Participating Jurisdictions (as of June 2015)	Active: 57 cities in 14 counties in CA (6.1 million people) Pending: 50 cities and 16 counties (5 million people) Total: 107 cities and 30 counties (11.1 million people)
Bulk Assessment Lien On Property	No bulk assessment filed on property tax bill; lien amount only equal to the maximum annual special tax.
Minimum Financing	\$2,500 – Residential \$2,500 – Commercial
Maximum Financing	15% of property value; cannot exceed 100% of property value (consumer protection). Most Ygrene property owners only use 5-6% of approved financing amount.
Interest Rate	5.99% - 7.75%
Loan Term (Length)	5 - 20 years; solar projects eligible for up to a 30 year term; loan term may not exceed useful life of the improvements.
Property Owner Fees/Costs¹	Residential: \$804 admin fee Commercial: Admin fees start at \$1320 with adjustments based on overall size of the project. Maximum fee capped at \$2080. All projects: 3% contract fee also applies.

¹Exact amounts vary based on project, and not all costs will apply to a particular project. Actual amount will vary with loan term and may vary by jurisdiction. Data is provided as example.



Mortgage Lender Notification and/or Consent	Residential: Notification is required for all projects. Commercial: Consent is required where deemed necessary by property owner and mortgagor; notification is required for all projects.
Energy Audit	Residential: Recommended, not required. Commercial: Recommended for all projects; required for projects over \$250,000.
Selection of Contractor	Residential & Commercial: Property owner selects contractor from list of local contractors certified by Ygrene Energy Fund. Contractors must be licensed, bonded, insured, in good standing with CSLB and BBB and certified and trained by Regional Account Manager and recertified every year. Property owners may select a non-certified contractor, but that contractor must become certified prior to the project commencing.

Ygrene Energy Fund is #1 in commercial and multi-family (4+ units) PACE financing and a leading residential PACE Provider. Ygrene's district expansion is based on our new JPA partnership (which has simplified the 'activation' process for cities/counties) and builds on our existing leadership in the PACE program since 2010. Since February 2015, over 50 California cities and counties have 'opted in' to the program with another 100+ throughout California in the process of doing so.

Ygrene has the largest truly local staff supporting all aspects of the business throughout the state including Regional Energy Centers, 90+ dedicated Regional Account Managers and Government Relations staff, in house Call Centers (open 7 days PST), separate Residential and Commercial Underwriting Departments, Operations and Marketing Teams.

Ygrene is the only multi-state PACE provider with operations in CA, FL and GA, which results in access to leading capital partners and yields better terms for property owners.

Ygrene has over 2,000+ certified contractors in our existing territory who are eager to expand their business with Ygrene as their PACE provider of choice. Once a city or county completes the simple activation process, this significant workforce can continue to build their competitive advantage by offering PACE in new jurisdictions throughout Ygrene's expanding footprint.

Ygrene's unique program design does not include a bulk assessment recorded against participating properties. Our financial services partner, Willdan, handles preparation of the assessment roll and submits to each county (resulting in zero burden on the County outside of collecting the associated processing fee revenue from each project).

Ygrene's residential and commercial projects have access to 'course of construction' funding, which is a significant advantage to encourage 'whole building envelope project scope' (recommended by the [CEC](#) and energy experts) without the burden of upfront material and labor costs on contractors while awaiting payment upon 'whole' project completion. Require written approval and acceptance from property owner before Ygrene pays contractors (Consumer Protection). This advantage allows contractors to complete more projects in your city or county (creating and sustaining local jobs), helps property owners reduce their utility costs, and supports cities and counties in meeting their sustainability and water conservation goals.

PACE Programs Comparison Matrix
Sacramento County PACE Program Meeting – December 19, 2014

Policy	County Clean Energy CFD(Ygrene)	CaliforniaFIRST	Figtree PACE Program	HERO	mPOWER
Authorization	SB 555: Mello-Roos CFD. The Mello-Roos Community Facilities Act of 1982 in the Government Code	AB811: Assessment District. Contractual assessment district under the Streets and Highways Code	AB811: Assessment District. Contractual assessment district under the Streets and Highways Code	AB811: Assessment District. Contractual assessment district under the Streets and Highways Code	AB811: Assessment District. Contractual assessment district under the Streets and Highways Code
Government Entity	County of Sacramento. The cities of Citrus Heights, Elk Grove, Galt and Rancho Cordova have opted into the CFD.	California Statewide Communities Development Authority (CSCDA): A joint powers authority sponsored by the California State Association of Counties and the California League of Cities.	California Enterprise Development Authority (CEDA). CEDA, a JPA established by the California Association for Local Economic Development (CALED)	Western Riverside Council of Governments (WRCOG)	-JPA for new members -Current Placer County program in: Roseville, Lincoln, Auburn, Rocklin, Colfax & Loomis -Authorized property owners to participate in Assessment District
Program Administrator	Ygrene Energy Fund	Renewable Funding	Figtree Company, Inc.	<u>Commercial:</u> Samas Capital <u>Residential:</u> Renovate America Inc.	mPOWER Placer (Placer County)
Participating jurisdictions				-Citrus Heights, Rancho Cordova -Total jurisdictions: 185 -Active in 137 jurisdictions; 48 will launch in March 2015.	
Projects / costs				22,537 for \$422m	
Lien	Special tax, only Annual amount as a single line item on property tax bill	Bulk assessment lien for full project amount on title	Bulk assessment lien for full project amount	Bulk assessment lien for full project amount	Bulk assessment lien for full project amount
Interest Rates	Fixed interest rate tied to Libor – currently 4.95 to 9.54%. The average to date is 7.3%.	<u>Commercial:</u> Under \$150K – 6.75%; Over 150K – 6.5% <u>Residential:</u> Fixed Interest rate ranges from 5 yrs: 6.75%, 10 yrs:	<u>Commercial:</u> 4.63% to 6.5% (Based on term of assessment and tied to market rates.)	<u>Commercial:</u> 5.75% to 6.5% <u>Residential:</u> 5.95% to 8.95%. (Based on term of	<u>Commercial:</u> Fixed 6% <u>Residential:</u> Fixed 6%

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		7.59%, 15 yrs: 7.99%, 20 yrs: 8.29%, 25 yrs: 8.39% (Based on Treasuries.)	Residential: 6.5% to 8.5% (Based on term of assessment and tied to market rates.)	assessment.)	
Term	5 to 30 years based on property owner preference and useful life of improvement.	5 to 20 years based on useful life of improvement. Plans to offer new 25 year term (mandatory O&M policy) for solar consistent with recent legislation.	5 to 20 years based on useful life of improvement.	5 to 20 years based on useful life of improvement.	Property owner preference of 5, 10, 15 or 20 years, but no longer than useful life of improvement.
Lender Notification or Consent	<u>Commercial</u> : Lender consent is requested with a 30 day waiting period. <u>Residential</u> : Lender notification required.	<u>Commercial</u> : Lender consent <u>Residential</u> : None (Notification is encouraged but not required.)	<u>Commercial</u> : Lender consent <u>Residential</u> : None (Notification is encouraged but not required.)	<u>Commercial</u> : Lender consent <u>Residential</u> : None	<u>Commercial</u> : Lender consent <u>Residential</u> : None (Notification is encouraged but not required.)
Disclosure	-Notice to Lender of Proposed Special Tax -Acknowledgement of Sole Responsibility to Deal with Lender -Release of Liability language	Disclosures in application – throughout the process.	Applicants receive disclosures stating that their lender, future lenders, or buyers could require the PACE assessment lien to be paid-off prior to the scheduled maturity. Applicants also receive a disclosures stating the APR associated with their specific PACE assessment.	-Language included in application, Assessment Contract, and website. A major training point for contractors. -Disclose that program assessment may need to be paid in full. -By law, property owners must provide notice of the assessment to the buyer prior to sale of the property.	-Residential disclosure included in application, assessment contract, and in person seminar related to FHFA statements and disclosing lender or future lenders or buyers could require lien pay-off. -Truth-in-Lending Disclosure -Good Faith Estimate -Adhere to Housing Financial Discrimination Act
Min. Financing Amount	\$2,500	\$5,000	<u>Commercial</u> : \$5,000 <u>Residential</u> : \$2,500	\$5,000	\$2,500

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Max. Financing Amount	10% of property fair market value.	<u>Commercial</u> : 20% of property value. <u>Residential</u> : 15% of property value.	<u>Commercial</u> : 20% of property value. 10% allowed in most instances. <u>Residential</u> : 15% of property fair market value for properties less than \$700,000, 10% for properties greater than \$700,000.	<u>Commercial</u> : 20% of property value. <u>Residential</u> : 15% of property fair market value for properties less than \$700,000, 10% for properties greater than \$700,000.	<u>Commercial</u> : 10% of property value, unless lender consents for greater amount or no lender. <u>Residential</u> : 10% of property value, unless lender consents for greater amount, not to exceed 15%
Pre-lien loan to value	90% of fair market value.	90% of fair market value.	<u>Commercial</u> : 100% of assessed value. <u>Residential</u> : 90% of fair market value.	90% of fair market value.	<u>Commercial</u> : 90% of assessed value or fair market value whichever is greater, ratio can be lower in some circumstances if lender consents. <u>Residential</u> : 90% of assessed value or fair market value whichever is great value.
Post-lien loan to value	100% of fair market value.	100% of fair market value.	<u>Commercial</u> : 120% of assessed value (subject to lender consent) <u>Residential</u> : 100% of fair market value.	100% of fair market value.	100% of fair market value.
Total aggregate property taxes/ assessments	<u>Residential</u> : Ranges from 5 yrs. - 4.5% to 20 yrs. – 3.1%		Per state law max 5% of market value.	5% of market value, determined at the time of approval of the Assessment Contract.	Per state law Max 5%
Capitalized Interest	Allows up to one year, as needed to cover period to next		Up to 387 days.	Includes an amount equal to the first tax year's contractual	Up to 12 months, as needed to cover period to next bond

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Policy	County Clean Energy CFD(Ygrene)	CaliforniaFIRST	Figtree PACE Program	HERO	mPOWER
	tax lien filing (June).			assessment installments.	payment.
Prepayment Penalty	3%	None	<u>Commercial:</u> -Years 1-5: 5% -Years 6-10: 3% -Years 11-20: None <u>Residential:</u> None	<u>Commercial:</u> 5% <u>Residential:</u> None	-Year 1: 5% -Year 2: 4% -Years 3-5: 3% -Years 6-20: None
Credit History	Mortgage payments and property taxes current and not late in the past three years.	Mortgage payments and property taxes current in past three years and has no more than one late payment.	Mortgage payments and property taxes current and not late in the past three years.	Mortgage payments and property taxes current and not late in the past twelve months for mortgages and in the last three years for property taxes.	-No property tax default in past three years or since ownership whichever is shorter. -No mortgage notice of default in past five years. -No civil record for five years of failure to make property related debt payments. -No involuntary liens.
Bankruptcy History	Must not have filed for in the past three years.	Must not have filed for in the past two years.	<u>Commercial:</u> Must not have filed for in the past five years. <u>Residential:</u> Must not have filed for in the past seven years.	Must not have filed for in the past seven years; or if bankruptcy is more than two years old and no additional late payments more than 60 days past due in last 24 months.	Must be five years since <u>date of discharge</u> ; evidencing ability to operate without bankruptcy protection.
Participates in PACE Loss Res. Program (CA	No	Yes	Yes – will join as soon as the first residential project is funded	Yes	Yes

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State)					
Legal Validation	Yes ; validation effective October, 2013.	Yes. Legal validation for entire state complete.	Yes ; the program received a statewide judicial validation for both residential and commercial in 2012.	Validation for Sacramento County needed ; On a quarterly basis, WRCOG files an Ex Parte to include those jurisdictions that have adopted Resolutions of Participation.	Yes. Currently amending JPA to facilitate new members. Validation for Sacramento County will be needed if added to the JPA.
Property Owner Fees/Costs	\$50 application fee; \$250 processing and underwriting; \$100 County costs; \$250 recording and disbursement, escrow and title insurance. Closing fee: 3%	<u>Commercial</u> : No application fee. Closing fees vary depending on project size – 3.7%-6%. <u>Residential</u> : No application fee. Closing fees expected to be <6.5%	<u>Commercial</u> : Processing fee: \$695 Closing fee: 4% Administrative fee: \$30 per \$1,000 dollars financed annually. <u>Residential</u> : Annual administrative fee of \$35, closing fee of 5.95%	<u>Commercial</u> : Application fee - \$500 or equal to 1% of project (whichever is lower – but may not exceed actual cost to process application) Document Recording - \$95 Annual Admin Fee - \$430 Admin - 5.825% <u>Residential</u> : Application fee - \$0 Document Recording - \$95; Annual Admin Fee - \$35 Admin – 6.95%	Processing Fee: <ul style="list-style-type: none"> • \$1,300 non-residential charged at closing • \$500 residential charged at closing Title Fee: \$140 Recording Fee: \$66 (est. based on Sac. County Fee 0.25% PACE Loss Reserve Fee Annual Assessment Administration Fee: based on Sacramento County Auditor’s fee
Fees to Contractor	None	None	<u>Commercial</u> : \$695 per year <u>Residential</u> : none	None	None

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Consumer Protection	<ul style="list-style-type: none"> -Permits are required for all work financed -Contractors must meet minimum licensing and insurance requirements -Completing a mandatory training and certification, recertified every year. -Funds are not disbursed to contractors until property owners and contractors have verified work was properly completed. -Ygrene reviews each scope of work to ensure the prices charged to the consumer are consistent with rates being charged by other contractors in the region. -Disclosures: Notice to Lender of Proposed Special Tax, Acknowledgement of Sole Responsibility to Deal with Lender, Release of Liability language -Dispute Resolution 		<ul style="list-style-type: none"> -Permits are required for all work financed -Contractors must meet minimum licensing and insurance requirements in addition to completing a mandatory PACE training session. -Funds are not disbursed to contractors until property owners and contractors have verified work was properly completed. -Figtree reviews each scope of work to ensure the prices charged to the consumer are consistent with rates being charged by other contractors in the region. -Live interaction between Figtree, a customer representative and each property owner prior to funding. 	<ul style="list-style-type: none"> -Registered Contractors -CSLB Confirmation, Insured, Bonded -Contractor Training -Identity Verification -In Good Standing -Product Eligibility Check -Fair Pricing -Permits Required -Terms Confirmation -Paid Upon Job Completion -Dispute Resolution 	<ul style="list-style-type: none"> -Property Owner Seminar – All property owners and contractors are required to attend a seminar prior to processing of application that explains the program, the application process, requirements for approval, and information and resources related to finding and selecting a contractor -Projects are reviewed during application processing. -Final Building permit or project verification must be submitted at or before request for payment. -Disclosure, Notices and Rights to Rescind: Truth-in-Lending Disclosure, Good Faith Estimate, Housing Financial Discrimination Act and Three Day Notice of Right to Rescind.
Additional Information				Additional protections put in place for elderly and non-English speaking customers	<ul style="list-style-type: none"> -Has PPA financing. -Has flexibility to

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					change/customize most components to meet Sacramento County requirements.

PACE Program And Authorizing Body	Target Demographic	Minimum and Maximum Financing Amounts	Interest Rates?	Administration Fee?	Other Fees
<i>Ygrene Works</i> Golden State Finance Authority (formerly California Home Finance Authority) (GSFA)	All residential and commercial properties, including multifamily, industrial, agricultural, and non profit (churches)	Minimum-\$2,500 Maximum-15% of property's fair market value not to exceed 100% loan to value	Residential rates from 6.25% to 8.49%; commercial rates from 5.99% to 7.75%.	Residential: \$804 + 3% Commercial: \$1330- \$2080(adjusted by loan amount) +3%	County Fees for tax collection vary by jurisdiction but are estimated at \$50 per year. Funding fee not to exceed 4%.
California FIRST Commercial (CSCDA)	All non-residential and multifamily 5 units or more	Minimum - \$50,000 Maximum – 20% of market value	Varies per project ~ 6.75% for 20 yr	Closing fee 3-6%	County Tax Collector Fee (based on # of parcels)
HERO Residential Western Riverside Council of Governments (WRCOG)	Single-family homes	Minimum- \$5,000 Maximum-\$250,000	5 yr.- 5.95% 10 yr.-7.95% 15 yr.-8.75% 20 yr.-8.95%	6.95% one-time administration fee	\$95.00- One time recording fee \$35.00-Annual Assessment Administrative Fee
HERO Commercial Western Riverside Council of Governments (WRCOG)	All non-residential, commercial and industrial facilities	Minimum- \$5000 Maximum-Must not exceed 15% of property value	5 yr.- 6.7% 10 yr.-6.9% 15 yr.-7.4% 20 yr.-7.5%	Initial Fees Points 5.825% Fixed \$2,000 (estimated average)	Ongoing Fees \$400/yr.
Figtree California Enterprise Development Authority (CEDA)	Commercial / Industrial / Agricultural (Residential in 2015)	Minimum-\$5,000 Maximum-Determined based on property value	5 yr.- 4.63% 10 yr.-5.46% 15 yr.-6.08% 20 yr.-6.65%	4.0% one-time administration fee	Processing fee-\$695.00

PACE Program	Target Demographic	Equity Required?	Energy Audit Required?	Other Considerations
<i>Ygrene Works</i> Golden State Finance Authority (formerly California Home Finance Authority) (GSFA)	All residential and commercial properties, including multifamily, retail, industrial, agricultural and non-profit (churches)	Yes; minimum 10% equity required, cannot exceed 100% of property value	Residential: Recommended, but not required Commercial: Required	*Financing terms from 5 to 30 years, not to exceed useful life of the improvement. *No bulk assessment recorded against the property for full project amount. *Amount lien is only the ANNUAL special tax as a single line item on the property tax bill. *May have significant tax benefits associated with Ygrene Loan, consult a tax professional.
California FIRST Commercial (CSCDA)	All non-residential and multifamily 5 units or more	Combined debt after PACE cannot exceed 100% of property value	ASHRAE Level 2	Financing term not to exceed useful life of the improvement, up to 20 years
HERO Residential (WRCOG)	Single family homes	10% or greater equity in the property	No.	There may be tax benefits associated with HERO loans. Interested property owners should consult with their tax professional regarding eligible tax write offs.
HERO Commercial (WRCOG)	All non-residential commercial and industrial facilities	10% or greater equity in the property	No.	HERO's commercial program rates will be updated by the end of August.
Figtree (CEDA)	Commercial / Industrial / Agricultural (Residential in 2015)	10% equity in the property	No.	Figtree's residential PACE program will launch before the end of the year and will feature many of the same elements found in our commercial PACE program. The program will utilize the same legal structure and will be administered by the same professional financing team.

Attachment 2: CVAG PACE Program Cost Comparison: Ygrene Energy Fund & California HERO

Program Feature	YGRENE ENERGY FUND		PFM GROUP/CALIFORNIA HERO	
	Commercial	Residential	Commercial	Residential
Fees				
Project Amount	\$100,000	\$30,000	\$100,000	\$30,000
Interest Rate	6.95% ¹	6.95% ¹	7.0% ²	8.25% ²
Project Funding Date	April 1, 2013	April 1, 2013	April 1, 2013	April 1, 2013
Security Deposit/Interest Reserve	\$3,033.00 ³	\$921.00 ³	\$299.58 ⁴	\$90.17
Capitalized Interest ⁵	\$1,784.53	\$541.89	\$3,257.76	\$1,155.65
Program Admin & Underwriting	\$250.00	\$250.00	\$2,773.87 ⁶	\$784.91 ⁶
Recording Fee	\$250.00	\$250.00	\$95.00	\$95.00
Application Fee (Ygrene)/Annual Admin Fee (HERO)	\$50	\$50	\$300.00	\$25.00
Energy Pro Software (Ygrene)	\$450 ⁷	\$50 ⁷	-	-
Cost Recovery/Conduit Issuer	\$100.00 (CVAG)	\$100.00 (CVAG)	\$1,212.19 (WRCOG); \$63.79 (CVAG)	\$261.06 (WRCOG); \$16.70 (CVAG)
Total Closing Costs	-	-	\$2,952.66 ⁸	\$817.83 ⁹
Total Financed/Bonded	\$105,917.53 ¹⁰	\$32,162.89 ¹⁰	\$110,954.85	\$33,396.32
Annual Payment	\$9,881.22	\$3,000.54	\$10,773.35	\$3,490.01
Term	20 years	20 years	20 years	20 years
Total Payment (over 20 years)	\$194,591.40⁴	\$59,089.80⁴	\$215,467.00	\$69,800.39
Contractor Fee	\$3,000.00 ¹¹	\$900.00 ¹¹	-	-

¹ Interest rate is fixed at the time a property owner enters into a contractual assessment for each project. The interest rate for the Ygrene PACE program is based on prime plus 3.2%; it may periodically change to be responsive to market conditions and support program sustainability.

² Interest rate is fixed at the time a property owner enters into a contractual assessment for each project. Investors that have committed capital have set the initial interest rate at a level that has not changed since HERO program launch; future changes will be negotiated by the PFM Group as financial advisor on behalf of participating cities and counties.

³ The Ygrene security deposit is an interest reserve which is fully refundable upon completion of the special tax payments assuming the property owner did not miss any payments over the term of the loan. The security deposit would be refunded or applied to the last payment. The security deposit is a reserve fund that is a credit enhancement required by Ygrene's initial funding partners. In California, the interest reserve is currently calculated as three percent (3%) of the sum of the construction amount plus the program fees; it is put up by the property owner and is rolled into the financing.

⁴ PFM has indicated that the commercial HERO program will likely not require a reserve fund. The HERO Interest Reserve is not refundable.

⁵ Capitalized interest is the amount required for payment of the first interest payment and is calculated from the closing date of April 1, 2013.

⁶ These program administration and underwriting fees are included in the Closing Costs for each project. For comparison purposes, the Program Admin & Underwriting fees are shown separately from other closing costs for HERO.

⁷ Ygrene provides Energy Pro software (\$50 (residential) or \$450 (commercial))

⁸ Commercial: Total closing costs of 5.50% made up of 2.5% for Origination, Marketing and Program Administration(Samas Capital); \$1,109.55 (1%) for Legal/Bond Counsel (BB&K); \$554.77 (0.50%) for Assessment Administration(DTA); \$388.34 (0.35%) for Placement Agent (WCAH); \$1,275.98 (1.15%) for Conduit Issuer (WRCOG and CVAG costs under hybrid HERO – see table); with the "Hybrid HERO" model, CVAG would receive 0.05% (\$63.79) to cover administrative costs; \$750 flat fee for Financial Advisor (PFM); \$150 flat fee for Trustee(TBD).

⁹ Residential: Total closing costs of 5.63% made up of 2.50% Origination, Marketing and Program Administration(Renovate America (RA)); \$333.96 (1%) for Bond Counsel (BB&K); \$166.98 (0.50%) for Assessment Administration(DTA); \$116.89 (0.35%) for Placement Agent (WCAH); \$427.76 (1.28%) for Conduit Issuer (WRCOG and CVAG costs under hybrid HERO – see table); with the "Hybrid HERO" model, CVAG would receive 0.05% (\$16.70) to cover administrative costs; WRCOG pays \$150 flat fee for financial advisor (PFM) from their fee; RA pays Trustee (TBD) \$50 from their fee.

¹⁰ Property owner would have option of including the security deposit and capitalized interest in the project financing with a total financed amount of \$105,917.53 for commercial and \$32,162.89 for residential or pay these costs up front for a total financed amount of \$101,100.00 for commercial and \$30,700.00 for residential.

¹¹ Contractor Fee is paid by contractor (not property owner) to the District for software, support, marketing, and program operations.

**MEMORANDUM OF UNDERSTANDING BETWEEN
YGRENE ENERGY FUND CA, LLC AND
SOUTH BAY CITIES COUNCIL OF GOVERNMENTS
REGARDING PARTICIPATION IN THE
YGRENE WORKS PACE PROGRAM**

This Memorandum of Understanding Regarding Participation in the Ygrene Works for California PACE Program ("MOU") is made and entered into as of this 23rd day of July, 2015 ("Effective Date") by and between the South Bay Council of Governments, a California joint exercise of powers authority ("SBCCOG"), and Ygrene Energy Fund CA, LLC ("Ygrene"). SBCCOG and Ygrene are sometimes individually referred to as "Party" and collectively as "Parties."

RECITALS

WHEREAS, Ygrene is the program administrator for the Ygrene Works for California property assessed clean energy ("PACE") financing program ("Ygrene Works"); and

WHEREAS, Ygrene Works is sponsored by Golden State Finance Authority ("GSFA"), a California joint exercise of powers authority the members of which include numerous counties and cities within the State of California; and

WHEREAS, Ygrene Works allows the financing of certain renewable energy, energy efficiency and water efficiency improvements that are permanently affixed to real property; and

WHEREAS, Ygrene Works is being made available to every city and county in California to encourage installation of distributed generation renewable energy sources and energy efficiency and water efficiency improvements for residential and commercial property owners; and

WHEREAS, SBCCOG desires to inform its member agencies about Ygrene Works and serve as a point of contact for the Program in the sub-region, and Ygrene desires to receive SBCCOG's assistance in providing information about Ygrene Works to SBCCOG's member agencies and in serving as a point of ongoing contact for the Program in the future; and

WHEREAS, the purpose of this MOU is to set forth the mutual understandings, terms, and conditions related to partnering with Ygrene.

NOW, THEREFORE, in consideration of the foregoing recitals, the Parties hereby agree, as follows:

TERMS

1. Ygrene.

1.1 Ygrene shall pay fees to SBCCOG fees equal to 0.05% of the aggregate principal amount of the projects financed by Ygrene Works to fund the installation of renewable energy, energy efficiency and water efficiency improvements and for which financing contracts are entered into after the Effective Date by owners of properties located within the jurisdiction of SBCCOG's member agencies except for projects financed within the City of Los Angeles and the County of Los Angeles ("Fees").

1.2 Ygrene shall make the payments provided for herein to SBCCOG on a quarterly basis.

2. SBCCOG.

2.1 SBCCOG will, at SBCCOG's first regular meeting held after the Effective Date, begin providing information to and facilitating meetings with its member agencies regarding Ygrene Works, which includes doing each of the following:

(a) SBCCOG will inform each eligible city and county member agency, unless the Parties agree otherwise, about the procedures for participating in Ygrene Works, adopting resolutions authorizing GSFA to offer Ygrene Works, and becoming an Associate Member of GSFA, in substantially the same form as the template resolutions attached hereto as Exhibit "A".

(b) SBCCOG will inform each of its member agencies of the benefits available from participating in Ygrene Works, including but not limited to informing each member that (i) Ygrene Works is an economic development program available at no cost to participating cities and counties; (ii) Ygrene Works finances improvements that decrease energy or water consumption or create clean renewable energy; and (iii) Ygrene Works helps create local jobs, stimulate the local economy, save property owners money, and lower greenhouse gas emissions.

(c) SBCCOG will inform each of its member agencies of the Fees and the resulting increased cost of issuance within SBCCOG's jurisdiction.

2.2 SBCCOG will serve as the main point of contact within SBCCOG's jurisdiction and, as such, will coordinate with its member agencies on behalf of Ygrene and GSFA to facilitate the efficient adoption of Ygrene Works. SBCCOG will cooperate fully with Ygrene and take such additional actions or sign such additional documents as may be necessary, appropriate or convenient to achieve the purposes of this MOU including, but not limited to, assisting with introductions to SBCCOG's member agencies.

- 2.3 SBCCOG will obtain and provide copies of each member agency's Resolutions Authorizing Participation in Ygrene Works.
- 2.4 SBCCOG will arrange for presentations regarding Ygrene Works at committee meetings.
- 2.5 SBCCOG will regularly provide information about Ygrene Works in its newsletters, which will include, but not be limited to, providing a description of and contact information for Ygrene Works, and any additional reference sources that are necessary to provide readers with information for participating in Ygrene Works.
- 2.6 SBCCOG will place a regular reminder of Ygrene Works in its correspondence and provide a conspicuous and recognizable link to the Ygrene Works website on the main page of SBCCOG's website, if any.
3. Term. The term of this agreement shall begin on the Effective Date and terminate on the third (3rd) anniversary thereafter.
4. Governing Law and Venue. This MOU shall be governed by and construed in accordance with the laws of the State of California. Venue shall be the Superior Court in Sonoma County.
5. Attorneys Fees. If either of the Parties commences an action against the other party arising out of or in connection with this MOU, each party shall be responsible for its individual attorney fees and costs.
6. Amendment. This MOU may be amended in writing by mutual agreement of the Parties.
7. Entire Agreement. This MOU contains the entire agreement of the Parties relating to the subject matter hereof and supersedes all prior negotiations, agreements or understandings.
8. Invalidity; Severability. If any portion of this MOU is declared invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions shall continue in full force and effect.
9. Counterparts. This MOU may be signed in counterparts, each of which shall constitute an original.
10. Incorporation of Recitals. The recitals set forth above are true and correct and are incorporated into this MOU as though fully set forth herein.
11. No Third Party Beneficiaries. There are no intended third party beneficiaries of any right or obligation assumed by the Parties.
12. Notices. All payments, notices hereunder and communications regarding interpretation of the terms of this MOU or changes thereto shall be provided by the

mailing thereof by registered or certified mail, return receipt requested, postage prepaid and addressed, as follows:

If to SBCCOG:

South Bay Cities Council of Governments
Attention: Jacki Bacharach, Executive Director
20285 Western Avenue, Suite 100
Torrance, California 90501
Telephone: 310-371-7222
Facsimile: 310-437-8977

If to Ygrene:

Ygrene Energy Fund CA LLC
Attention: Bart Van Voorhis
Executive Vice President
815 5th Street
Santa Rosa, CA 95404
Telephone: 877-819-4736
Facsimile: 707-579-4617

13. Waiver. No waiver of any breach of a provision in this MOU shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition. No waiver, benefit, privilege, or service voluntarily given or performed by a Party shall give the other Party any contractual rights by custom, estoppel, or otherwise.

IN WITNESS WHEREOF, the Parties have caused this MOU to be effective as of the day first above written.

YGRENE ENERGY FUND CA LLC

By: _____

Stacey Lawson, President/CEO

Date: _____

SOUTH BAY CITIES COUNCIL OF GOVERNMENTS

By: _____

Chair

Date: _____

Approved as to form:

By: _____
Michael Jenkins, SBCCOG Counsel

DRAFT