







-  Creating jobs
-  Saving energy
-  Improving properties
-  Lowering utility bills



## A bit of background...

- ✓ Los Angeles and Riverside County's will continue to be among the nation's fastest-growing areas; 2.7 million more of us by 2035!
- ✓ Providing sufficient energy supplies will be critical for continued economic expansion and prosperity
- ✓ Relying solely on new generation and transmission facilities is risky
- ✓ Utility bills will continue to rise
- ✓ Energy and water conservation regulations are largely limited to new properties ... NEWER PROPERTIES ARE PRETTY ENERGY EFFICIENT
- ✓ More than 1,00,000 properties in Los Angeles/Riverside County's constructed prior to 2000... OLDER PROPERTIES ARE PRETTY ENERGY INEFFICIENT
- ✓ One of the best ways to guarantee energy supply is to conserve what we already have
- ✓ Retrofitting these older, inefficient properties is a good strategy
- ✓ *The big question: How can this be accomplished?*



# Saving energy and water through property retrofits: The California HERO Program

- California HERO is a residential and commercial Property Assessed Clean Energy (PACE) Program
- Authorized by state law (AB 811 and AB 474)
- Allows jurisdictions to offer financing to property owners for the purchase and installation of energy efficiency, renewable energy, and water conservation improvements
- Financing to property owners is repaid over time through voluntary annual assessments on the property tax bill



# California HERO Program: Guiding Principles

- Based on successful Program in Western Riverside County: Proven track record of experience
- PACE is a funding tool
- Regional / Statewide Program provides economies of scale
- Consistent funding is vital for Program success
- Simplicity of use is vital for broad acceptance
- Contractors in region familiar based on existing Program success
- Summary: Avoid duplication of effort with a single program instead of multiple and costly individual efforts  
Provide a turnkey program at no cost to jurisdictions



## Benefits to property owners



Provides access to financing that might not be available through traditional means such as equity loans, etc.



Provides “no-money-down” approach to financing improvements



Provides savings on utility bills



Repayment stays with property (most cases)



# Benefits to participating jurisdictions



## **Economy**

Creates / maintains construction-related jobs



## **Energy**

Reduces / delays the need for costly construction of energy generation / transmission facilities



## **Environment**

Improves air quality and reduces greenhouse gas emissions



## **Financial**

No local jurisdictional debt; funding is self-replenishing





## Examples of eligible improvements

- Heating and air conditioning
- Cool roofs
- Natural gas storage water heater
- Tankless water heater
- Windows and glass doors
- Outside irrigation
- Insulation
- Window filming
- Home sealing
- Lighting control systems
- Solar thermal systems (hot water)
- Solar thermal systems for pool heating
- Photovoltaic systems
- Low flush toilets



# Year 1 results (January 2012 thru June 2013)

Approved Apps: 6,500+

Approved Financing: \$192,000,000 (residential program)

Commercial program just launching

Projects Completed: 2,800+

Projects Funded: \$50,000,000+

Largest Program in United States





## Program partners

- Public Financial Management, Inc. – Financial Advisor
- Best Best & Krieger – Bond Counsel
- David Taussig & Associates – Assessment Administrator
- U.S. Bank / Deutsche Bank – Trustee
- Westhoff, Cone & Holmstedt – Placement Agent
- Renovate America – Residential Funding Partner
- Samas Capital – Commercial Funding Partner



# Who qualifies to participate?

- Property owners may be individuals, associations, business entities, cooperatives
- Bottom line: Any qualifying owner paying property taxes
  - have clear title to property
  - be current on property taxes
  - be current on mortgage payments
  - have some equity in the property



# How does it work for the property owner?

- It's a voluntary program
- (google herofinancing): Property owners apply for Program coverage and select improvements desired
- If approved, property owner enters into contract with administrator; all up-front costs are paid and assessment lien is placed on property
- Property owner / subsequent property owner repays through property tax assessment over a period of years



# Contractors are key...



## More than 830 participating in the Program

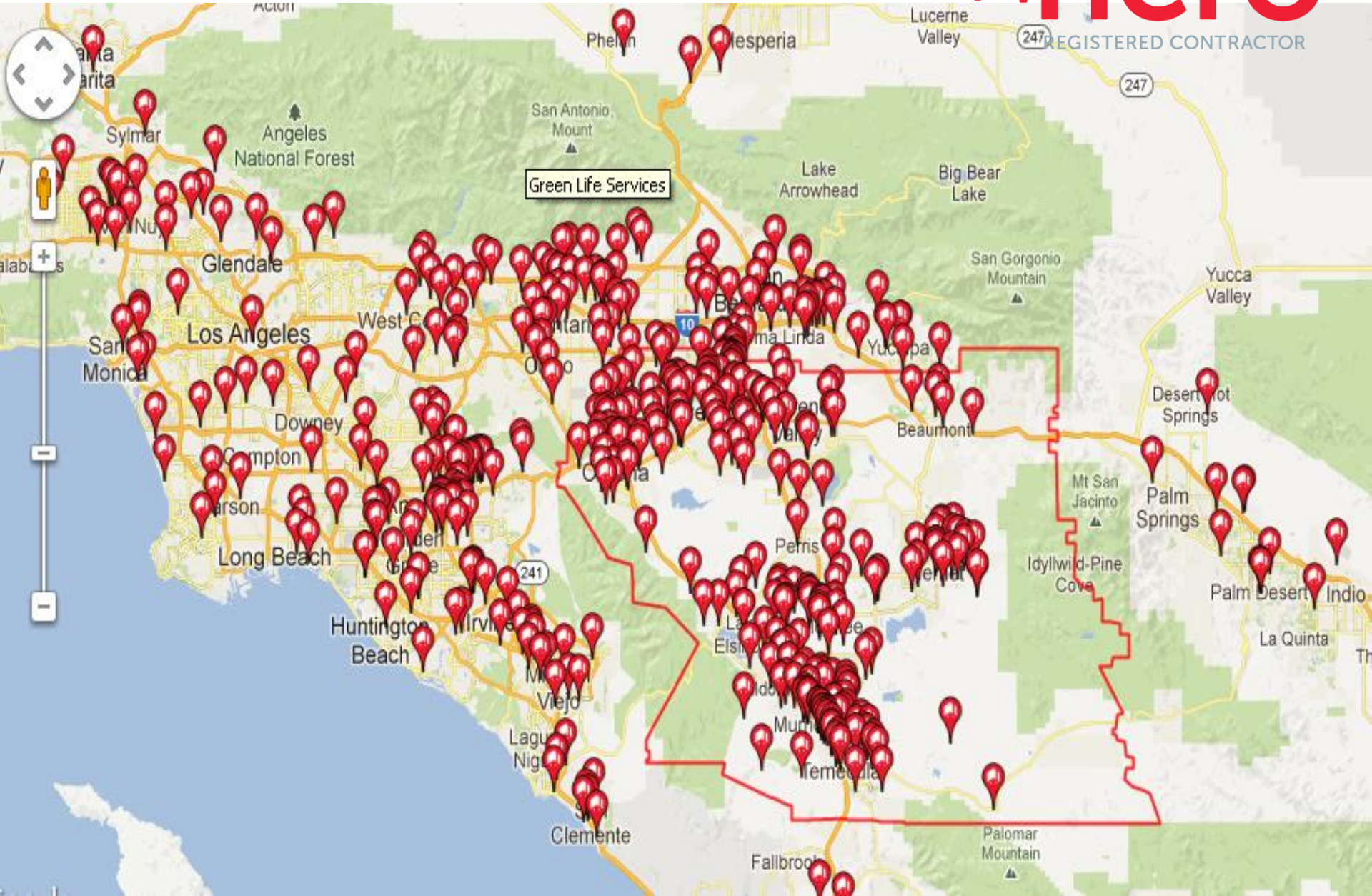
- Must have an active California State License Board (CSLB) license
- Must meet CSLB's bond and workers' compensation insurance requirements
- Must provide evidence of jurisdictional business license if no jurisdictional permit is required for project
- Must register on the website







# Participating contractor locations...



# Program metrics

## Economic Impact

	Historical Results	California Potential
Jobs Created/Supported	2,000+	50,000+
Economic Impact	\$300 million	\$7.2 billion
Federal, State, Local Tax Revenue	\$30 million	\$725 million

## Housing Impact

	Historical Results	California Potential
Energy Savings (gigawatt hours over project life)	748	20,700
Money Saved (over project life)	\$252 million	\$7 billion
Increase in Resale Value of Property	\$157 million	\$4.4 billion





# How do jurisdictions join the California HERO Program?

Step 1: Jurisdiction needs to adopt a Resolution of Participation to join California HERO Program

- Initiation of validation process
- Once the validation is complete, property owners can begin applying
- 3 – 4 months to launch

Step 2: There is no Step 2!

- Your jurisdiction staff time requirements: Only related to normal permit processing



# Administration Partnership with South Bay Cities Council of Governments

SBCCOG serves as a point of contract in the subregion



## To summarize: The California Hero Program...

- Expands on a proven and successful program
- Boosts the economy through job creation
- Saves energy and utility costs
- Reduces greenhouse gases
- Partners with the private sector
- Already has contractors in Orange County familiar with the Program
- Requires no city/county staff or financial resources
- Has no liability for participating agencies
- *Is really easy to join!*



# Questions?

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# What happens when the owner sells the property?

- Assessment obligation **may** remain an obligation of the property upon sale depending on lender
  - DISCLOSURE, DISCLOSURE, DISCLOSURE

IN ADDITION, ON AUGUST 31, 2010, FANNIE MAE AND FREDDIE MAC STATED THAT THEY WOULD NOT PURCHASE HOME LOANS WITH ASSESSMENTS SUCH AS THOSE OFFERED UNDER THIS PROGRAM, THIS MAY MEAN THAT PROPERTY OWNERS WHO SELL OR REFINANCE THEIR PROPERTIES MAY BE REQUIRED TO PREPAY SUCH ASSESSMENTS AT THE TIME THEY CLOSE THEIR SALE OR REFINANCING.

## What's has happened thus far?

- 34 Refinanced and/or sold
- 4 Repaid

\*\* Program will be adjusted to meet any adopted federal regulations.

