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## **Plug-and-Play Residential PACE Financing Grows in California.**

Property-assessed clean energy (PACE) loan programs for homes rebounded in a big way in 2014, with residential PACE projects eclipsing the commercial PACE market.

California leads the way going into 2015, with more than \$500 million in completed residential projects. The majority of that money came through the Home Energy Renovation Opportunity (HERO) program.

PACE programs allow investments in water- and energy-efficiency retrofits and distributed renewable generation to be paid back through property taxes, which lowers the risk for both lenders and owners and can potentially open up a far larger swath of the energy-efficiency market.

Already a leader, the HERO program has expanded substantially in California in the last few months. In December, the HERO program was approved by the city of San Francisco, making it the first large city in California to return to residential PACE financing since it was halted a few years back because of conflicts with federal housing regulators.

Not to be outdone by its neighbors to the north, Los Angeles County voted to adopt HERO PACE programs for the 85 cities that make up the county, including Los Angeles.

"It's good to see the LA County Board of Supervisors helping to conserve energy by approving the Residential PACE program that will help Angelenos conserve water, use less electricity, and harness renewable energy at home," Los Angeles Mayor Eric Garcetti said in a statement. Some of HERO's most popular products in California include water-saving technologies, solar panels, HVAC upgrades, energy-efficient windows and doors and roofing and insulation.

HERO is not the only PACE administrator scooping up partnerships across California. In January, Ygrene Energy Fund made its residential PACE program Ygrene Works available to every California city and county through a partnership with Golden State Finance Authority, formerly known as California Home Finance Authority.

The competition in residential PACE financing means that cities and counties can adopt PACE for homes and businesses quicker and easier than in the past. The major administrators, like HERO and Ygrene, promise no cost to taxpayers and no staff time required. By choosing more than one provider, municipalities can offer an array of financing options. California is also pushing the envelope on residential PACE with a pilot for using the loans for multi-family housing.

Although California is far in the lead on residential PACE, others are trying to ramp up. South Florida was one of the first places to get back into the residential PACE game when Ygrene launched a \$230 million bond in 2013 that was available for homes and businesses.

But Ygrene and other administrators, like EcoCity Partners, have largely been on the sideline as PACE programs for homes across Florida are tied up in a court battle.

It's not PACE programs themselves that are being challenged; instead, the Florida Bankers Association is contesting the validations on the bonds that back the PACE loans, according to the Sun Sentinel. The bankers don't want PACE loans to be paid before mortgages if there are outstanding property obligations.

But it's not just the bankers. In late February, the Florida Supreme Court dismissed the appeal of the Florida Green Energy Works bond validation that was filed by a taxpayer. The court dismissed the case because the appellant, James Gowen, "has no interest in this case," the court stated. The court noted in the ruling this was the third PACE bond validation case where an appellant has appeared in the eleventh hour but has no direct interest in the case.

"[Florida Green Energy Works] program was structured as a statewide commercial PACE program initially, but the dismissal of this appeal allows the program to now scale up on the residential side statewide as well," EcoCity Partners declared on social media.

Florida isn't in the clear just yet, but the court's most recent ruling gives PACE advocates confidence that other similar appeals will also be dismissed. Florida's residential PACE market might not rival California's by year's end, but if the legal hurdles continue to fall, it could make a strong start.

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