

FACT SHEET ON CALIFORNIA SB 242 & AB 1284

New Laws Create a Comprehensive Consumer Protection, Underwriting, and Regulatory Framework for Property Assessed Clean Energy

Importance of PACE

The realities of both climate and economic change have come into focus more sharply this year than at any time in the past. Responsible public policy solutions must be offered, and those with a record of success, such as Property Assessed Clean Energy (PACE) programs, must be strengthened. With buildings accounting for nearly 40 percent of our greenhouse-gas emissions, we must give property owners strong, scalable tools to spur the adoption of smarter, more efficient building technologies. And with states looking for new tools to address energy and water consumption, create local jobs, and expand the credit box for responsible borrowers, PACE is at a crucial point in its development.

Born in California nine years ago, PACE financing is a state and local government initiative that has been cited by the Lawrence Berkeley National Laboratory as one of the nation's most successful forms of financing home energy and efficiency improvements. PACE has empowered the owners of more than 150,000 homes to make energy, efficiency and resiliency improvements to their property. It's estimated that by spurring demand for contractor services, these improvements have created more than 30,000 local jobs. Over their expected lifetime, PACE-financed improvements to date are projected to save over 1.5 billion kilowatt-hours of electricity, equivalent to powering more than 140,000 homes for a year; save over 10 billion gallons of water, equivalent to the amount needed to fill over 15,000 Olympic-sized swimming pools; and reduce carbon dioxide emissions by over 4 million tons, equivalent to taking more than 760,000 cars off the road for a year.

PACE has bipartisan support because it works, advancing important public policy objectives on a voluntary basis for property owners without the use of government funds. PACE allows homeowners to finance energy- and water-efficient, and renewable energy home improvement projects over the useful life of the product (5, 10, 15, 20, or 25 years) at a fixed interest rate, repaying against a lien on the home as a local property tax line item. With PACE, contractors are paid only after the work is complete and the homeowner has signed off, allowing for PACE providers to have oversight and ability to help resolve workmanship or other contracting issues. This innovative financing solution allows retrofits that make homes more comfortable, efficient, and potentially more valuable.

An Enforceable Consumer Protection Framework for PACE

PACE is offered in most cases initially through home improvement contractors that provide HVAC, solar, roof, door, window, and other services. Marketing practices, disclosures and other customer support mechanisms have evolved in the market over time as the private sector companies providing PACE and their local government partners have identified gaps and worked to establish consumer protections. Not all private sector PACE programs have been required to have the same protections.



But in September 2016, that began to change, as Governor Jerry Brown signed into law AB 2693, authored by Assembly Member Matt Dababneh, which codified state standards for written disclosures a property owner choosing PACE must receive prior to signing a contract for PACE financing. AB 2693 mandated a three-day right to cancel as well as written disclosures for PACE customers modeled on the federal Know-Before-You-Owe form used in mortgage lending.

This year the California Legislature took on two bills – SB 242, co-authored by Senator Nancy Skinner and Assembly Member Matt Dababneh, and AB 1284, co-authored by Assembly Member Dababneh, Senator Skinner, and Assembly Member Ian Calderon -- that build on AB 2693 to establish a clear, enforceable statewide consumer protection framework that will help ensure positive outcomes for homeowners, and the continued viability and sustainability of PACE.

Key Changes to PACE in SB 242 and AB 1284

SB 242 (Skinner-Dababneh), approved by both the Senate and the Assembly and signed by Governor Brown, will establish state-of-the-art consumer protections, further setting PACE apart from other forms of financing. The legislation:

- Requires a **recorded, live, confirmation of terms call** between the PACE provider and property owner before they sign their assessment contract, as a reinforcement to the written disclosures;
- Requires that PACE providers who undertake the confirmation of terms call with a property owner in one of the five major non-English languages in California – Spanish, Chinese, Korean, Tagalog and Vietnamese – also provide the property owner with their contractual documents in that language.
- Establishes an **expanded “right to cancel”** for a property owner using PACE, enabling the property owner to cancel their separate home improvement contract if they cancel their PACE financing within their three-day right to cancel – protecting them from being obligated to pay for a project without a viable means of financing.
- Establishes a **ban on compensating contractors beyond the cost of the home improvement project**, as well as prohibiting paying for contractor co-marketing and limiting contractor reimbursements to \$100 for bona fide training expenses.
- Requires contractors to quote a property owner the **same price as cash** for a home improvement project using PACE financing.
- Prevents PACE providers from disclosing to contractors the amount of funds the property owner is eligible for under a PACE assessment.



- Establishes data **reporting requirements to local government partners**, including data that speaks to the projected energy and water savings and local economic and job impacts, as well as on categories of products installed and homeowners served.

AB 1284 (Dababneh-Skinner-Calderon), also approved by both chambers and signed by Governor Brown, will significantly enhance PACE underwriting, regulate PACE at the state level, and enforce compliance with all PACE laws by PACE administrators and individual contractors. The legislation:

- **Strengthens and standardizes the current underwriting** standards in PACE based on home equity and on-time mortgage and tax payment history; and requires that the most accurate **Automated Valuation Models** are used for establishing the value of the home.
- Establishes new underwriting standards predicated on **income verification and ability-to-pay** to determine that property owners can meet their annual PACE obligation in addition to their current debt obligations and basic household expenses.
- Establishes a **licensing and regulatory framework for the PACE industry in California**, which will be subject to oversight by the California Department of Business Oversight (DBO).
- Requires PACE providers to **undergo background investigations and satisfy net worth requirements in order to obtain a license**.
- Requires PACE providers to enroll and **train home improvement contractors and their individual sales reps**; and holds PACE providers **accountable for screening and monitoring** the contractors and individual sales reps enrolled in their programs.
- Empowers the DBO **with enforcement authority** to take action against PACE providers who do not meet their obligations to promote the interests of consumers, which includes prohibiting PACE providers from working with contractors or individual sales reps who engage in activity harmful to consumers.

Active Engagement with Low-Income Consumer Advocates

The California Low-Income Consumer Coalition, comprised of 11 consumer policy and legal advocacy organizations, says AB 1284 “**introduces protections that have been absent from, and critically needed in, PACE programs** throughout the state,” and “contains several protections for consumers that have been sorely lacking from ... (PACE) programs so far: an ability-to-pay standard, administrator liability for the actions of PACE solicitors and solicitor agents, and a regulatory apparatus ...

(p)articularly notable is the provision of the bill that holds PACE administrators financially responsible for the portion of the consumers’ PACE assessments above the amount of their verified income; in other words, if a homeowner is assessed an amount greater than she is able to pay, the PACE administrator



pays the difference.” The coalition moved from opposing the bill to neutral as these key provisions were added, and **remains committed to making PACE “a safer and more consumer-friendly program.”**

A Broad Coalition of Support

The following groups and elected officials have voiced support:

Local Government Organizations

- California League of Cities
- California State Association of Counties
- Local Government Commission
- Los Angeles County
- Rural County Representatives of California (242)
- South Bay Cities Council of Governments (242)
- Southern California Association of Governments (242)
- Western Riverside Council of Governments (242)

Local Governments and Elected Officials

- Supervisor Scott Haggerty, County of Alameda
- Councilmember Willie Rivera, City of Bakersfield
- Councilmember Juan Garza, City of Bellflower
- Mayor Jesse Arreguin, City of Berkeley
- Councilmember Ben Bartlett, City of Berkeley
- Councilmember Kate Harrison, City of Berkeley
- Vice Mayor Linda Maio, City of Berkeley
- Councilmember Jesus Escobar, City of Calexico
- Councilmember Armando Real, City of Calexico
- Councilmember Jawane Hilton, City of Carson

Clean Energy/Environmental Organizations

- Advanced Energy Economy
- Brightline Defense
- Build It Green
- California Energy Storage Association
- California Solar Energy Industries Association (CALSEIA)
- Center for Sustainable Energy
- Cleantech San Diego
- Climate Action Campaign
- Efficiency Demand Management Council (242)
- Environmental Defense Fund
- League of Conservation Voters California (242)
- Natural Resources Defense Council
- Sierra Club California
- Vote Solar

Businesses and Business Associations

- Bay Area Council (1284)
- CalAsian Chamber of Commerce
- California Association of County Treasurers and Tax Collectors (1284)
- California Bankers Association (1284)
- California Building Industry Association
- California Business Properties Association
- California Chamber of Commerce (1284)
- California Credit Union League (1284)
- California Escrow Association (1284)



- Mayor Stan Henry, City of Cathedral City
- Councilmember Randall Stone, City of Chico
- Mayor Mary Salas, City of Chula Vista
- Mayor Pro Tem Emmanuel Martinez, City of Coachella
- Councilmember Emma Sharif, City of Compton
- Mayor Jorge Marquez, City of Covina
- Councilmember Clint Lorimore, City of Eastvale
- Councilmember Dianne Martinez, City of Emeryville
- Councilmember Mark Henderson, City of Gardena
- Supervisor Ryan Sundberg, County of Humboldt
- Supervisor Mike Wilson, County of Humboldt
- Councilmember George Nava, City of Brawley
- Board of Supervisors, County of Imperial
- Councilmember Mark West, City of Imperial Beach
- Councilmember Glenn Miller, City of Indio
- Councilmember Ralph Franklin, City of Inglewood
- Mayor Pro Tem Tim Shaw, City of La Habra
- Councilmember Colin Parent, City of La Mesa
- Vice Mayor Aleksandar Tica, City of Live Oak
- Councilmember Jim Gazeley, City of Lomita
- Mayor Mark Waronek, City of Lomita
- Councilmember Jeannine Pearce, City of Long Beach
- California Hispanic Chamber of Commerce (1284)
- California Land Title Association (1284)
- California Mortgage Bankers Association (1284)
- Dividend Finance
- Energy Efficient Equity (1284)
- National Federation of Independent Business
- Orange County Business Council (1284)
- Owens Corning
- PACENation
- Renew Financial
- Renovate America
- TechNet (1284)
- United Trustees Association (1284)



- Councilmember Dee Andrews, City of Long Beach
- Councilmember Roberto Uranga, City of Long Beach
- Councilmember Mitchell Englander, City of Los Angeles
- Mayor Pro-Tem Jose Solache, City of Lynwood
- Supervisor Dave Rogers, County of Madera
- Councilmember Steve Napolitano, City of Manhattan Beach
- Supervisor Kathrin Sears, County of Marin
- Councilmember Greg Raths, City of Mission Viejo
- Councilmember Tony Madrigal, City of Modesto
- Councilmember David Pollock, City of Moorpark
- Supervisor Brad Wagenknecht, County of Napa
- Councilmember Dan Kalb, City of Oakland
- Councilmember Abel Guillen, City of Oakland
- Deputy Mayor Chuck Lowery, City of Oceanside
- Mayor Victor Lopez, City of Orange Cove
- Mayor Jan Harnik, City of Palm Desert
- Councilmember Tonya Burke, City of Perris
- Vice Mayor Teddy Gray King, City of Piedmont
- Councilmember Diane Williams, City of Rancho Cucamonga
- Councilmember Jon Harrison, City of Redlands
- Councilmember Christian Horvath, City of Redondo Beach



- Councilmember Laura Emdee, City of Redondo Beach
- Mayor Thomas Butt, City of Richmond
- Councilmember Margaret Clark, City of Rosemead
- Supervisor Sue Frost, County of Sacramento
- Councilmember Steve Hansen, City of Sacramento
- Councilmember Tony Barrera, City of Salinas
- Councilmember Chris Cate, City of San Diego
- Mayor Kevin Faulconer, City of San Diego
- Council President Pro Tem Mark Kersey, City of San Diego
- Councilmember Chris Ward, City of San Diego
- Councilmember Deborah Cox, City of San Leandro
- Councilmember Chris Orlando, City of San Marcos
- Councilmember Stephen Houlahan, City of Santee
- Councilmember Jewel Edson, City of Solana Beach
- Councilmember Jorge Morales, City of South Gate
- Board Supervisor Kristin Olsen, County of Stanislaus
- Mayor Pro Tem Michelle Martinez, City of Santa Ana
- Mayor Ed Wilson, City of Signal Hill
- Councilmember Ben Benoit, City of Wildomar

