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NATIONAL ASSOCIATION of COUNTIES

March 16, 2020

Mr. Alfred M. Pollard
General Counsel
Federal Housing Finance Agency
400 Seventh Street SW
Washington, DC 20219

RE: **PACE Request for Input, Notice No. 2020-N-1**

Dear Mr. Pollard,

On behalf of the nation's 19,000 cities, towns and villages and 3,069 counties, we appreciate the opportunity to provide information to the Federal Housing Finance Agency (FHFA) on the agency's Request For Input (RFI) concerning the Property Assessed Clean Energy (PACE) program. Our members consist of cities and counties throughout the United States, many of whom were early pioneers of the PACE program. We support federal funding and other incentives, like PACE, to promote nationwide energy conservation efforts.

In short, our position is that federal regulatory action to limit access to PACE without proper data or cause would potentially infringe on the rights of state and local governments to provide an affordable financing solution to their constituents and to advance critical sustainability goals through the use of private funds.

At its core, PACE provides financing for public purpose improvements, like energy efficiency, water conservation, and resilience against hurricanes and wildfires. PACE is an affordable financing solution that empowers residential property owners to make their homes safer and more efficient. Beyond its significant economic and environmental benefits, PACE increases the value of homes, reduces utility costs, lowers insurance premiums, and reduces the likelihood of total home loss during natural disasters. These key factors demonstrate the many tangible financial benefits that PACE offers homeowners, local governments, mortgage holders, *and* FHFA. **PACE programs <u>do not</u> present a threat to the quality and stability of Enterprise loans.**

We strongly support PACE because, in its 11-year history, this financing mechanism has helped our members:

- Expand access to capital for energy, water, and resiliency home upgrades;
- Put American homeowners on a path to save billions of dollars on their utility bills;
- Eliminate unnecessary water waste, saving 11.5 billion gallons of water;
- Inject billions of dollars into local economies;
- Generate over 42,000 local jobs;
- Reduce lifetime CO2 emissions by 6.5 million metric tons;

- Improve over 220,000 homes by making them more weather and fire resilient, energy-efficient and seismically sound. [1]

Throughout the RFI, FHFA concludes that increased home values made possible by PACE-financed improvements are generally lower than the costs of PACE assessments. In other words, the concern is that the net value of home improvements financed by PACE might be harmful and therefore reduce the value of the underlying affected mortgages. Studies demonstrate otherwise as home improvements that provide clean and renewable energy to a household have increased the value of those properties.[2]

As a special property tax assessment, PACE is fundamentally a state and local government legal mechanism. It is similar in form and substance to all other special property tax assessments placed on a property by a city, county, or other state governmental bodies. In terms of precedence, it is also worth noting that FHFA has not raised any similar issues or questions with other types of property tax assessments. This public policy tool has been around for centuries -- long before mortgages -- and is entirely within the legal rights of homeowners and local governments to use as a proven way of improving their communities. We urge the FHFA not to change that authority.

Local governments use PACE to help residential and commercial property owners finance energy efficiency upgrades and renewable energy installations. By utilizing PACE, local governments can remove many barriers to renewable energy and other public purpose retrofits, such as the high upfront costs associated with buying and installing energy-efficient improvements. As a result of their PACE-financed sustainable upgrades, property owners use less water and energy, which often reduces utility costs and leads to environmental benefits for local communities. This is particularly imperative today, as the nation is struggling with affordable housing and creating more habitable living spaces for residents.

By specifically targeting states or local communities that offer PACE, regulatory action by FHFA could open the door to many unintended consequences. Decreasing loan-to-value ratios for all new loan purchases in states or communities where PACE is available would have a damaging economic effect in those communities. This could materialize in a myriad of ways, such as depressed mortgage originations or less construction/building in these major housing markets. At a more basic level, there is simply no publicly available data to support this type of federal intervention, while the risk of adverse economic effects is significant.

We ask you to stand with local governments and American property owners in supporting PACE as a critical policy tool and vital financing option for homeowners.

If you have any questions, please don't hesitate to contact us: Carolyn Berndt (NLC) at 202-626-3101 or Berndt@nlc.org or Adam Pugh (NACo) at 202-942-4269 or apugh@naco.org.

Sincerely,

Clarence E. Anthony
CEO and Executive Director
National League of Cities

Matthew D. Chase
Executive Director
National Association of Counties

[1] https://pacenation.org/pace-market-data/
[2] https://newscenter.lbl.gov/2015/11/12/premium-for-solar-homes/