

Meeting Date
November 3, 2015



AGENDA	
Section	New Business
Item No.	VI.F.1.

**AGENDA REPORT**  
BREVARD COUNTY BOARD OF COUNTY COMMISSIONERS

<b>SUBJECT:</b>	Wind resistance and energy efficiency improvements for Brevard County property owners
<b>DEPT/OFFICE:</b>	Citizen Request: Florida PACE Funding Agency

**Requested Action:**

It is requested that the Board of Commissioners adopt a resolution authorizing subscription to the Florida PACE Funding Agency's PACE Program providing Brevard County commercial and residential property owners a mechanism for the financing of qualifying property improvements as determined by Florida State statute (163.08). Qualified improvements for business buildings and homes include wind and hurricane mitigation, energy conservation and efficiency, and renewable energy. The Agency provides 100%, non-credit based, fixed rate financing with no upfront costs. Financing can be paid off in full at any time, without penalty. Financing is repaid through a special non ad valorem assessment on the annual property tax bill.

**Summary Explanation & Background:**

The Property Assessed Clean Energy (PACE) program provided by the Florida PACE Funding Agency will assist Brevard County property owners with financing for wind and hurricane mitigation, energy efficiency and renewable energy upgrades to their business buildings or homes. The PACE program allows the property owner to finance certain improvements to their property and repay the financing through annual installments on the property tax bill. There is no cost nor liability to the County to participate in the Agency's PACE financing program. The statute permits the tax collector and/or property appraiser to recoup any administrative costs associated with placing the assessments on the tax roll. Brevard would join over 20 Florida counties and cities which have already adopted the Agency's PACE financing program.

Property owners can take advantage of PACE financing to make improvements such as replacing an old roof, installing impact-resistant windows or making any other storm safety repairs or improvements to their homes without having to pay for the repairs up-front. PACE financing helps property owners overcome the barrier of high up-front costs, thereby encouraging the installation of renewable-energy equipment and other improvements that would increase energy efficiency. PACE financing gives Brevard commercial and residential property owners an additional financing option to consider when making responsible business building and home improvements.

Contact: Jay Neal, FAIR Florida Association for Insurance Reform  
Phone/email: (954) 366-2922 / jneal@floridainsurancereform.org

**Clerk to the Board Instructions:**

**Exhibits Attached:** Powerpoint Presentation, FAQs, Economic Impact Estimate.

<b>Contract /Agreement (If attached):</b>		<b>Reviewed by County Attorney</b>	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	PR	<input type="checkbox"/>
County Manager	Assistant County Manager, Frank Abbate		Department Director / Extension					
Stockton Whitten	Assistant County Manager, Venetta Valdengo							



Tammy Etheridge, Clerk to the Board, 400 South Street • P.O. Box 999, Titusville, Florida 32781-0999

Telephone: (321) 637-2001  
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November 4, 2015

MEMORANDUM

TO: Stockton Whitten, County Manager

RE: Item VI.F.1., Citizen Request by Florida PACE Funding Agency for Wind Resistance and Energy Efficiency Improvements for Brevard County Property Owners

The Board of County Commissioners, in regular session on November 3, 2015, denied citizen request by Florida PACE Funding Agency relating to wind resistance and energy efficiency improvements for Brevard County property owners.

Your continued cooperation is greatly appreciated.

Sincerely yours,

BOARD OF COUNTY COMMISSIONERS  
SCOTT ELLIS, CLERK

Tammy Etheridge, Deputy Clerk



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**For Detailed Program FAQs go to: [www.EvestFlorida.com](http://www.EvestFlorida.com)**

**1. What is the process when a property owner wants to participate in the PACE Program?**

**STEP 1: APPLY TO PROGRAM** - The Agency Team works with the Property Owner to evaluate eligibility and potential benefits, identifying qualifying improvement(s) and submitting an application.

**STEP 2: SUBMIT PROJECT** - Property Owner reviews list of eligible contractors from on-line directory and requests project estimates. Selected Contractor prepares project proposal for Agency review.

**STEP 3: PROJECT REVIEW** - Agency Team verifies Contractor credentials and QA/QCs proposal for reasonableness.

**STEP 4: PLACE ASSESSMENT** - Agency Team collaborates with Property Owner to execute financing agreement and place assessment.

**STEP 5: INSTALLATION AND PAYMENT** - Contractor obtains permits and completes installation. Property Owner approves completion of Project. Agency Team reviews the Project, approves final project documents and issues final payment to Contractor.

The property owner is closely guided through the process at each stage. It all starts with the application at [www.EvestFlorida.com](http://www.EvestFlorida.com).

**2. What kind of property improvements can be financed under the PACE Program?**

Improvements are limited to existing properties and must provide renewable energy and/or energy savings, or increase the properties resistance to wind such as from hurricanes and tropical storms. For a detailed list, please visit: [www.EvestFlorida.com](http://www.EvestFlorida.com).

**3. What is the interest rate for the Program?**

The interest rate varies approximately between 5.75% and 7.75% depending on the length of the term and the size of the project. Rates fluctuate weekly based on conditions in the secondary mortgage market. Once the rate is quoted and accepted by the property owner, it is fixed for the term of the assessment. There is no penalty for prepayment. The process is transparent. Property owners are provided full disclosure on rates and other financial terms before they decide to proceed with the project.

**4. May PACE financing be used by property owners who owe more on their mortgage than the property is worth?**

No. The PACE assessment may not exceed the amount of equity in the property. See question #5 for more on this.

**5. But is it not true that the PACE statute allows 20% of just value to be financed, even if a property owner owes more on the home than its value?**

Yes, per Florida Statute 163.08, the maximum assessment (without lender consent) is 20% and is available to any property owner that meets statutory requirements. The statute does not require the property owner to have equity to qualify for PACE financing. However, at this time, the Agency's Investor requires sufficient equity in the property to cover the total project cost. Properties which are "upside down" are therefore ineligible for the Program. In fact, since most all PACE improvements increase the value of a property, owners should have positive equity after improvements are made and the assessment is levied.

**6. What is "Just Value"?**

Just value is legally equivalent to market value under Florida law. It is a value assigned by the county property appraiser under Florida statute 193.011. But because of a number of factors in the statute, including subtracting the cost of sale to determine just value, officials from property appraiser offices and real estate experts say that just value is a much more conservative estimate than true market value and can be below what the property could actually sell for by 10% to 25% or more.

**7. What do Fannie Mae and Freddie Mac have to do with home mortgages and the PACE Program?**

The primary function of Fannie Mae and Freddie Mac is to provide liquidity to the nation's mortgage finance system. Fannie and Freddie purchase home loans made by private firms (provided the loans meet strict size, credit, and underwriting standards), package those loans into mortgage-backed securities, and guarantee the timely payment of principal and interest on those securities to outside investors. Fannie and Freddie also hold some home loans and mortgage securities in their own investment portfolios. They do not back commercial mortgages. Freddie and Fannie have expressed concerns about PACE because the assessment is superior to the mortgage. But because the PACE program is designed to leave owners with at least some equity, these concerns are overstated. When there is equity, all liens, including Fannie and Freddie backed mortgages are fully secured.

**8. Why don't PACE assessments simply allow for the mortgage to come first?**

The Florida legislature made clear in passing the PACE statute that it was in the public interest to encourage property owners to make energy and wind mitigation improvements to their homes and businesses. To keep the costs as low as practicable, they gave PACE assessments the same lien priority as regular property tax assessments. This means lower risk to investors which translates into lower interest costs for property owners. PACE improvements are not just about money. Safety during hurricanes and storms as well as community viability after, so that Floridians have homes and businesses to come back to are critical public policy concerns that make low cost residential and commercial PACE programs essential to our State.

**9. May Fannie or Freddie or the mortgage holder foreclose on a homeowner for participating in the PACE Program?**

No. The PACE statute specifically prohibits a lender from accelerating the mortgage because the owner participates in PACE, nor can they prohibit participation. The statute does however require a

30day notice to mortgage lenders with information about the amount to be assessed and payment terms. This allows the mortgage lender to reasonably adjust the escrow account requirements to account for the additional tax assessment.

**10. May Fannie or Freddie simply stop writing new mortgage guarantees in jurisdictions that adopt a residential PACE Program?**

No. This is called redlining and is strictly illegal under federal law. Numerous cities and counties throughout the country have subscribed to residential PACE programs with thousands of PACE assessments being levied. There has been no effect on mortgage originations through Fannie or Freddie in these jurisdictions.

**11. What may Fannie or Freddie do if a home being considered for mortgage financing has a PACE assessment attached?**

The most they can do is require that the PACE assessment be satisfied at closing. This would not be an issue if the buyer is financing with an unconventional mortgage (not backed by Fannie or Freddie) or is being sold to a cash buyer. Less than a third of homes have mortgages backed by Fannie or Freddie, so most people would not be affected.

**12. What if the homeowner has less than perfect credit?**

The Agency does not rely on credit bureaus to qualify PACE assessments. The statute does require that all property taxes and mortgage payments have been made on time for the previous three years, or period of ownership, whichever is less. The Agency's Investor also requires that the property owner must not have filed for bankruptcy during the previous five years. But, it gives access to PACE for property owners who may have had credit issues such as credit card slow payments due to unemployment or real estate short sales.

**13. If a property owner is delinquent on property taxes, does their PACE assessment tip them over the edge?**

A property owner who is delinquent on property taxes is ineligible to participate in the Program. If a property owner becomes delinquent on property taxes after a PACE assessment is in place, the normal practice and remedies would still apply. Preliminary evidence suggests that property owners participating in PACE are less likely to become delinquent on property taxes.

**14. Law enforcement and others have personal records (home address, phone numbers, etc.) that are not part of public records. Does your program allow these "protected classes" of individuals to keep their personal information private?**

Yes.

**15. How is the assessment amount applied on the tax bill?**

By September 15th each year, the Agency will send the tax collector an electronic file of all assessments to be included on the property tax bill. PACE assessments will be recorded as a "non-ad valorem" assessment on the tax bill. This Agency will work with the county tax collector/property

appraiser to determine the required format for the assessment data. Typically, the required data is Parcel ID, tax year and assessment amount.

**16. What happens if there is a dispute between the contractor and homeowner?**

The Agency's Third Party Administrator, Leidos Engineering, LLC, has a full dispute resolution process in place for these kinds of concerns, and no funding (i.e., actual payment for costs of the improvement) will be provided until after the work is complete, installed, operating correctly, and the improvement has passed inspection by an authorized local building official. Failure of the equipment after installation would be addressed under any applicable product warranties or service agreements between the property owner and the Contractor.

**17. Does this non-ad valorem special assessment need to be passed thru the Property Appraiser and then to Tax Collector for billing purposes?**

This will depend on the county. For most counties, this data will go directly to the tax collector and will not need to go to the property appraiser.



## Economic Impact

The State of Florida has been hit hard by a slow economic recovery, declining property values and significant losses in construction jobs. Counties and cities are looking for low-cost solutions to re-energize and kick-start economic recovery within their jurisdiction. The Florida PACE Funding Agency is proud to offer a statewide option for the financing of energy conservation, renewable energy and wind resistant improvements for both residential and non-residential properties. Participation is completely voluntary, and will provide an immediate, best-cost and low-risk approach to generating jobs throughout the state.

The American Council for an Energy-Efficiency Economy (ACEEE), the U.S. Department of Energy and Lawrence Berkley National Laboratories have analyzed the impact that energy efficiency has on job creation. ACEEE's most recent fact sheet "How Does Energy Efficiency Create Jobs?" was used in our in-depth analysis. Please find the portion that relates to Brevard County below.

	Brevard
<b>QUICK FACTS</b>	
Population Estimate (2014)	556,885
Housing Units (2014)	272,297
Home Ownership Rate	73.5%
Median Home Value (2009-2013)	144,900
Business Establishments (non-Farm)	13,084
Building Permits 2014	1,286
<b>ANNUAL INVESTMENT</b>	
Participation Rate	0.50%
Total Participants	1,067
Number of Commercial Participants	321
Number of Residential Participants	746
Commercial Assessments	\$ 24,075,000
Residential Assessments	\$ 8,952,000
<b>Total Assessments</b>	<b>\$ 33,027,000</b>
<b>ANNUAL JOB CREATION</b>	
Job Creation from PACE Investment	661
Job Creation from Savings Reinvestment	80
<b>Job Creation (County-wide)</b>	<b>741</b>
<b>ANNUAL COUNTY REVENUE</b>	
Increase in Property Value	\$ 16,513,500
Additional Property Tax Revenue	\$ 219,975
Additional Discretionary Sales Surtax	\$ 188,726
Additional Building Permit Fees	\$ 395,150
Additional Contractor License Fees	\$ 18,243
<b>Total Annual Revenue Increase</b>	<b>\$ 822,093</b>



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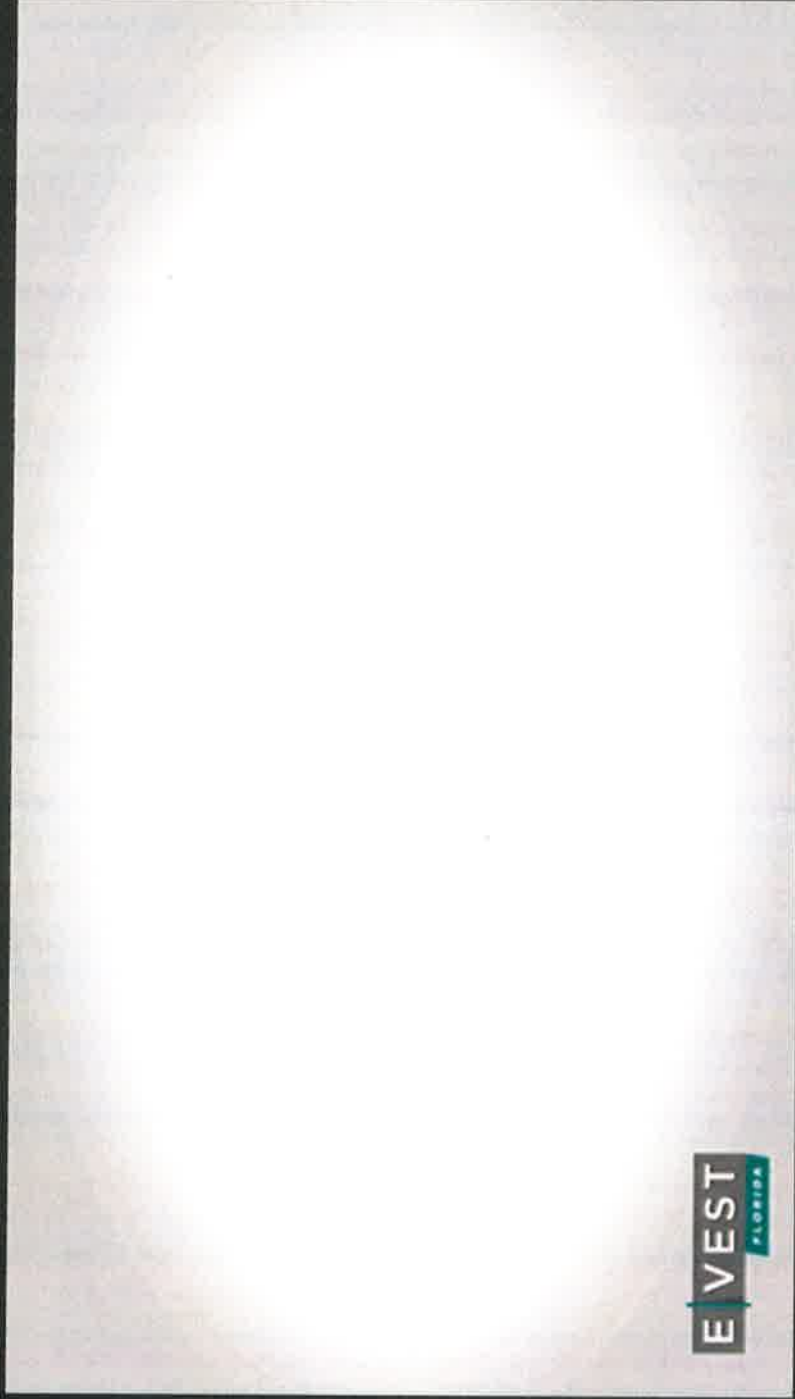
THE FLORIDA PACE FUNDING AGENCY

# PROPERTY ASSESSED CLEAN ENERGY (PACE)

A Guide to Making Building  
Improvements Happen in  
Brevard County, Florida



# A SIMPLE & AFFORDABLE SOLUTION



**E** VEST  
FLORIDA

# WHAT DOES “PACE” FINANCING MEAN?

- ▶ **PACE** is an acronym for Property Assessed Clean Energy
- ▶ **PACE Financing** – Statutory financing method enabling property owners to make energy efficiency, renewable generation and wind-hardening improvements and use annual property tax bill as a repayment vehicle.
- ▶ **Florida PACE Funding Agency** - a local government offering a PACE Financing program.
- ▶ **EVEST Florida** - the name of the Florida PACE Funding Agency's PACE Financing program

# WHAT IMPROVEMENTS CAN I FINANCE?

- ▶ Property Owners may finance any qualifying improvement that becomes a permanent part of the building or home (except for appliances)

Qualifying improvements include:

## Energy Efficiency

Replacing inefficient energy-consuming or conserving equipment

## Renewable Generation

Use renewable energy sources or convert renewable energy to electric power

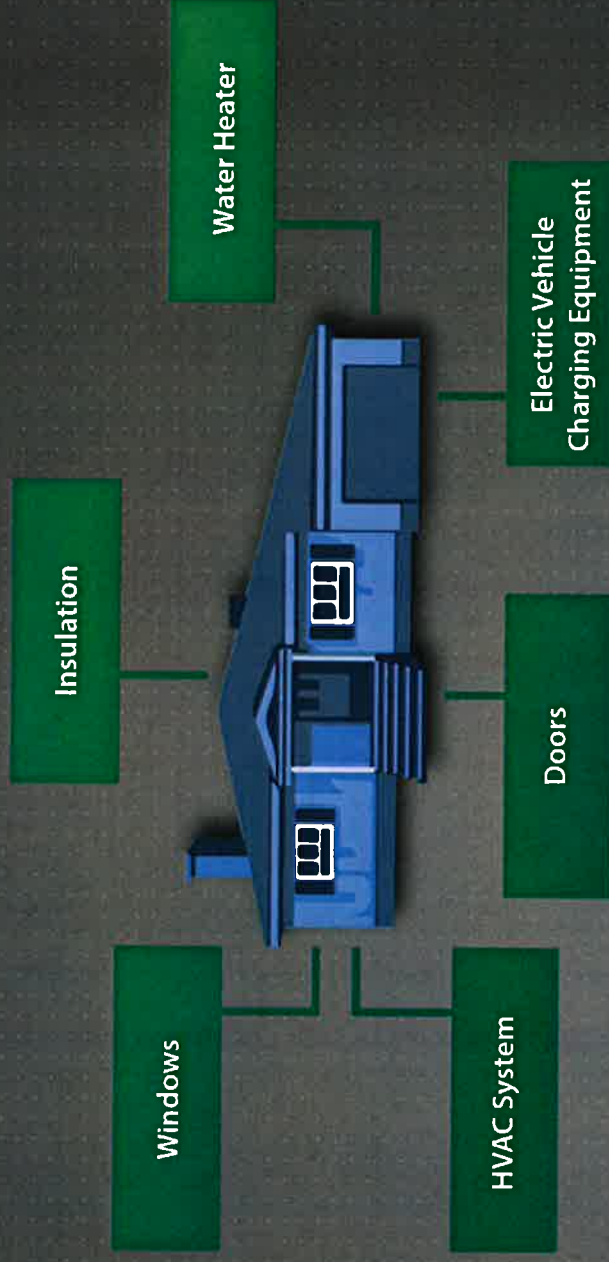
## Wind Resistance

Improve building or home storm safety

# ENERGY EFFICIENCY IMPROVEMENTS

## Residential Examples

- ▶ HVAC Systems
- ▶ Water Heaters
- ▶ Pool Pumps
- ▶ Windows
- ▶ Doors
- ▶ EV Charging Equipment



# ENERGY EFFICIENCY IMPROVEMENTS

## Commercial Examples

- ▶ HVAC systems;
- ▶ Lighting;
- ▶ Duct sealing and insulation;
- ▶ Windows and doors;
- ▶ Daylight harvesting;
- ▶ High-efficiency pumps & motors;
- ▶ Generators; and
- ▶ EV and CNG charging equipment



# RENEWABLE GENERATION

- ▶ Rooftop Solar PV
- ▶ Other solar equipment
  - ▶ Solar Thermal (Heating water)
  - ▶ Solar PV Water Heater
  - ▶ Solar PV Attic Fan
- ▶ Geothermal heating and cooling
- ▶ Wind and water power



# WIND RESISTANCE

- ▶ Improvements that make your home or business safer in a storm
  - ▶ Wind resistant roofing systems
  - ▶ Bracing and strapping systems
  - ▶ Secondary water barriers
  - ▶ Hurricane shutters
  - ▶ Impact-resistant windows and doors
  - ▶ Hardening of rooftop equipment
- ▶ May result in Property Insurance reductions of up to 38%\*



\* Up to 77% of wind portion

# PROPERTY OWNER QUALIFICATIONS

- ▶ Record owner of property
- ▶ No missed or late property tax payments (last 3 years or period of ownership, whichever is less)
- ▶ Current on mortgage payments
- ▶ No involuntary liens on the property
- ▶ Property not in foreclosure
- ▶ No bankruptcy in the last 3 years
- ▶ Enough equity to cover the cost of the improvement
- ▶ Minimum residential property value of \$50,000, commercial \$250,000

**ALL PROPERTY TYPES ARE ELIGIBLE, EXCEPT PUBLIC PROPERTIES AND MOBILE HOMES (Have to be permanent structures)**

\* Property Owner qualifications may be found in FL Statutes Section 163.08

# HOW MUCH FINANCING IS AVAILABLE?

- ▶ If you have a mortgage and qualify you may have access to 20% of the just property value\* to finance qualifying projects
- ▶ If you qualify and do not have a mortgage, you are not limited to 20%
- ▶ Minimum size project for residential is \$2,500, commercial is \$10,000
- ▶ 100% financing at a fixed rate with no upfront costs

\*Amount found on County Property Appraiser's website

# AUTHORIZED CONTRACTORS

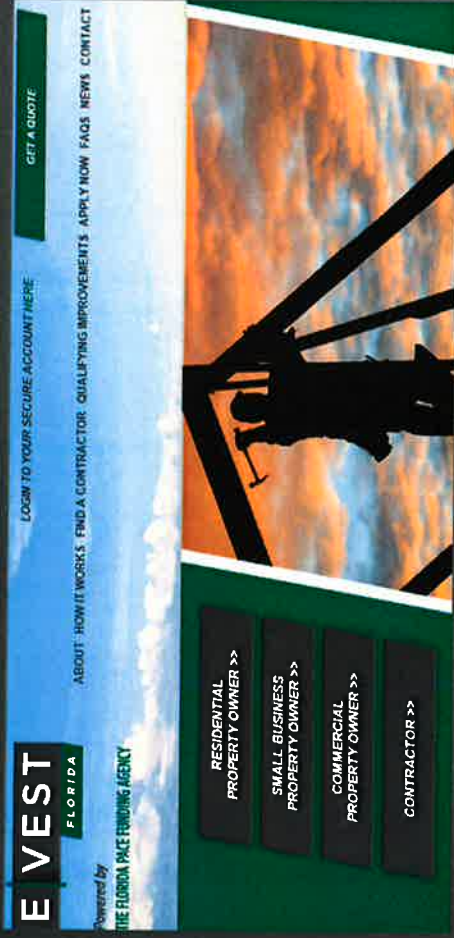
- ▶ Authorized Agency Contractors must
  - ▶ Provide proof of insurance
  - ▶ Possess a valid license
  - ▶ Have a Better Business Bureau rating of “B” or higher if available
  - ▶ Satisfy worker’s compensation requirements
  - ▶ Abide by Agency Code of Conduct and Terms & Conditions

# HOW DOES IT WORK?



- ▶ **STEP 1: Apply to E|VEST** - Submit an application and the Agency will check your eligibility.
- ▶ **STEP 2: Submit Project** - Once approved, select contractor and submit your project for review.
- ▶ **STEP 3: Project Review** - Agency reviews your project for reasonable costs and useful life.
- ▶ **STEP 4: Financing Agreement** - Sign financing agreement and your contractor begins work.
- ▶ **STEP 5: Complete Project:** Submit project summary. Agency validates and pays your contractor.

# FLORIDA PACE FUNDING AGENCY



<http://www.EvestFlorida.com>

- ▶ The Florida PACE Funding Agency (Agency) is a unit of local government that provides PACE financing through its innovative EVEST Florida Program.
- ▶ The Agency has \$200 million in immediately available financing with legal authority to issue up to \$2 billion.
- ▶ The Program is available to the County of Brevard without risk, liability and cost to Brevard County's taxpayers by signing an Interlocal Agreement with the Agency.

# PROGRAM BENEFITS

- ▶ 100% financing with no upfront costs
- ▶ No credit scoring to qualify for preferred rates
- ▶ Fixed rates generally ranging from 5.75 – 7.75%, depending on size of project and term of financing
- ▶ Financing terms up to 25 years
- ▶ Keep all applicable rebates and tax incentives
- ▶ Time your savings to payments to manage your monthly costs
- ▶ Enjoy the savings now; no payment until property taxes are due
- ▶ Assumable upon sale
- ▶ Payoff at any time in full, without penalty

# HOW DO PEOPLE PAY FOR PROPERTY IMPROVEMENTS?

- ▶ Cash out-of-pocket
  - ▶ **Problem:** Don't have a lot of cash available
  - ▶ **Problem:** Don't always want to use cash for long-term improvements
- ▶ Traditional bank financing
  - ▶ **Problem:** Good credit score required (720+) for better interest rates
  - ▶ **Problem:** High equity requirements (40%), 5-7 year terms and variable interest rates
- ▶ Traditional third-party financing
  - ▶ **Problem:** Interest rates range between 12-25% depending on credit score
  - ▶ **Problem:** Shorter 5-7 year financing terms
- ▶ Put it on a credit card
  - ▶ **Problem:** Credit cards significantly affect your credit score
  - ▶ **Problem:** Credit cards have rates between 8-20%



# QUESTIONS?

**Jonathan Schaefer, MSIE, MSSM**

Program Manager

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## PROPERTY OWNER FREQUENTLY ASKED QUESTIONS

### **What is PACE?**

PACE is an acronym for "Property Assessed Clean Energy". A PACE program provides financing for property owners to make qualifying improvements to their businesses or homes. The financing is repaid through a non-ad valorem assessment on the property owner's annual property tax bill.

### **What is E|VEST?**

E|VEST is a PACE program offered by the Florida PACE Funding Agency.

### **Who is eligible to receive E|VEST financing?**

To be eligible, interested property owners must:

- Be the owner of record for a property located within a participating city or county;
- Have no missed or late property taxes and no public notices of debt delinquency in the last 3 years, or period of ownership, whichever is less, and current on mortgage payments; and
- Have no involuntary liens on the property.

Additional guidelines:

- No bankruptcies in the past 3 years; and
- The property owner must have enough equity in the property to cover the cost of the improvement.

### **What types of properties are eligible for E|VEST financing?**

All property types are eligible for E|VEST financing with the exception of publicly owned properties and temporary structures (e.g., mobile homes).

### **Is the property owner's credit score used to determine program eligibility?**

No. This financing is dependent only on the eligibility criteria above.

### **How much may I finance through E|VEST?**

The total amount of qualifying improvements that may be financed through E|VEST is generally 20% of the just market value of the property. The just market value of the property may be found on each county's property appraiser website. In some cases, amounts in excess of 20% may be financed.

### **What is the interest rate for E|VEST financing?**

E|VEST financing is fixed over the financing term (maximum 25 years). Interest rates fluctuate with changes in market conditions. Rates generally range between 5.75%-7.75%, depending on the size of the project and the number of years over which the financing is repaid.

### **How is E|VEST financing repaid?**

E|VEST financing is repaid through a special non-ad valorem assessment included on the property owner's annual property tax bill. Because this assessment "runs with the land", the assessment is assumable by a new property owner should the property be sold.

### **May I prepay E|VEST financing?**

Yes. E|VEST financing may be paid off in full at any time without penalty.

### **What protections are in place for Property Owners using E|VEST financing?**

Property owners may choose their own contractor from a list of E|VEST Authorized Contractors. The Agency's Team reviews the credentials of every contractor, ensuring that each contractor is licensed and insured. The Agency's Team also reviews every proposal, making sure that the proposed costs and energy savings are reasonable. All work must be permitted and inspected by a local building official. Contractors are paid only after the work has been inspected and the property owner agrees that the work has been completed.

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## PROPERTY OWNER FREQUENTLY ASKED QUESTIONS

### **What qualifying Improvements are eligible for E|VEST financing?**

#### Energy Efficiency Improvements

Improvements that result in more efficient use of energy.

For example:

- Air conditioning;
- Water heating;
- Windows and doors;
- Insulation and duct sealing;
- Lighting and controls; and
- Electric vehicle charging equipment.

#### Renewable Improvements

Improvements that use sunlight, wind and water as the primary fuel source.

For example:

- Solar photovoltaic systems;
- Solar thermal systems;
- Solar water heaters and attic fans;
- Geothermal heating and cooling; and
- Wind microturbines.

#### Wind Resistance Improvements

Improvements that result in homes and businesses that better withstand the effects of windstorms.

For example:

- Wind-resistant roofing;
- Windows and doors;
- Storm shutters;
- Garage door bracing;
- Gable-end bracing;
- Reinforced roof-to-wall connections; and
- Secondary water barriers.

### **Who installs the qualifying improvements?**

Qualifying improvements may only be installed by E|VEST Authorized Contractors.

### **What credentials do E|VEST Authorized Contractors possess?**

E|VEST Authorized Contractors must meet minimum requirements in order to participate in E|VEST. Contractors must possess a valid license that allows them to lawfully perform the requested work at the property's location. Contractors must also provide proof of insurance. The Agency's Team reviews each contractor's business history. Contractors may be dismissed from the Program if they violate the Agency's Code of Conduct.

For additional frequently asked questions, please visit our website at [www.EvestFlorida.com](http://www.EvestFlorida.com).