Energy Upgrade California
In Los Angeles County
California’s Homeowner
Energy Efficiency Solution

Improve your home. Get rebates. Save money.
Residential EE Financing Pilot

Loan Loss Reserve & Interest Rate Buy Down
Overview

- Offers both secured and unsecured fixed rate loans with varying terms.
  - 2% unsecured loan available for a limited time!
  - 10% Loan Loss Reserve

- Loans for EUC and/or CSI projects

- Leverages the pre-existing utility QA/QC processes on projects

- No up front or closing costs for property owner

- Convenient application process and quick approvals
Eligibility

**Property Owner Eligibility**
- 680 minimum FICO score + meet other credit criteria.
- No bankruptcy in the last 7 years or a late mortgage payment over the last two years.
- Debt to income ratio of 50%

**Property Eligibility**
- Located in LA County
- Served by *either* SCE or SoCalGas.
- Owner-occupied, single-family detached residence.

**Project Eligibility**
- Energy efficiency projects must be enrolled in the Flex Path incentive or the Existing Home incentive.
- Solar projects must be enrolled in the California Solar Initiative (CSI).
- If solar is to be financed, it must be installed concurrently or after the installation of energy efficiency measures.
LLR & IRBD Quick Facts

**Loan Loss Reserve**
- 10% Loan Loss Reserve per project
- First 5 projects funded at 90%
- Available for 2% Loan product, and other secured and unsecured negotiated interest products.
- Effectively buys down rate by 2 points

**Interest Rate Buy Down (2% Loan)**
- Works in conjunction with LLR
- Averages 12.5% of total loan value
Process

**Step 1**
**Scope Project**
- Property owner contacts a contractor or receives finance packet
- Contractor scopes project costs and property owner approves
- Property owner visits LA Portal to learn about program

**Step 2**
**Submit Applications**
- Property owner applies for financing
- Contractor applies for utility incentive

**Step 3**
**Install Project**
- Financial institution issues a “Commitment to Lend”
- Contractor receives permission from utilities to proceed
- Contractor installs project

**Step 4**
**Receive Funds**
- Contractor submits required docs for incentive / Property owner submits required docs for financing
- Lender issues loan documents / Property owner signs and returns
- Lender funds the loan to either the contractor or property owner
- Property owner receives incentive check
Applications

All Loan Applications

- 210% increase in Nov – began marketing & offer 2% product
- Expect an increase due to Flex Path addition in April
## Loan Statistics

<table>
<thead>
<tr>
<th></th>
<th>Count of Applications</th>
<th>Avg. Interest Rate</th>
<th>Avg. Terms (months)</th>
<th>Avg. Monthly Payment</th>
<th>Avg. Loan Application</th>
<th>Avg. Days to Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>2% Loans</td>
<td>126</td>
<td>2.00%</td>
<td>60</td>
<td>$262.47</td>
<td>$14,930.06</td>
<td>61</td>
</tr>
<tr>
<td>Other Unsecured Loans</td>
<td>8</td>
<td>8.24%</td>
<td>98</td>
<td>$241.82</td>
<td>$12,993.39</td>
<td>72</td>
</tr>
<tr>
<td>Defaulted Loans</td>
<td>0</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

- The 2% loan product has been successful:
  - Applications increased
  - Loan amount increased
## Summary Dashboard (Funded + Committed Loans)

<table>
<thead>
<tr>
<th>Count of Applications</th>
<th>Total Loan Value</th>
<th>10% LLR</th>
<th>2% Buy Down</th>
</tr>
</thead>
<tbody>
<tr>
<td>EECBG Funds</td>
<td>-</td>
<td>-</td>
<td>$450,000.00</td>
</tr>
<tr>
<td>Funded Loans</td>
<td>67</td>
<td>$863,471.48</td>
<td>$140,815.05</td>
</tr>
<tr>
<td>Approved/Pending Loans</td>
<td>47</td>
<td>$765,525.98</td>
<td>$76,552.60</td>
</tr>
<tr>
<td>Total</td>
<td>114</td>
<td>$1,628,997.46</td>
<td>$217,367.65</td>
</tr>
<tr>
<td>Remaining EECBG Funds</td>
<td>-</td>
<td>-</td>
<td>$232,632.35</td>
</tr>
</tbody>
</table>

- Just added an additional $200,000 to LLR and $238,000 to IRBD
Successes

- Appx. 40% of financing applications are from muni territories (Long Beach & LA City leading)
- 210% increase in applications due to marketing and the 2% product
- Deeper retrofits are achieved
  - Average non-loan retrofit is $12,400
- 0 Late or defaulted payments
Lessons Learned

• Streamline the process
  – 24 hour approval turn-around
  – Hotline
  – Close loan after project completion is verified

• Train the contractors (simple messaging)

• 2% catches attention!
  – Most home owners want low interest rate (based on current mortgage rates)

• Requests for funding for related expenses

• Simple process for banks needed.
LA County Commercial PACE Program

Upgrade buildings. Enhance value. Create jobs.
What is PACE?

Property Assessed Clean Energy

Government

Property Owner

Completes Project

Repays from Tax Bill

Provide Capital

Financer

Property Owner

Government

Financer
Benefits of PACE

- Funding for up to 100% of installed costs (hard + soft)
- Lower rates and longer terms
- Fund seismic upgrades or upgrades required by Health and Safety or AQMD
Benefits of PACE

• Allows projects to be “cash-flow positive” from day one
• Assessment transfers if the building is sold
• Assessment is a “pass-through” under most leases
• Portfolio projects/properties can be financed under a single bond with individual assessments
• PACE is nationwide
• 79 of 88 Los Angeles County cities have adopted PACE
• Participating cities can leverage this for no cost
1. Owner engages contractor, gets audit & SOW
2. Owner submits PACE reservation to County
3. Owner finds Investor and negotiates financing terms
4. County sells bond to Investor. Assessment is placed on property.
5. Owner completes improvements
6. Owner pays assessment with taxes. County remits payment to Investor.
PACE Project Eligibility Criteria

Eligible upgrades must be:

1) Permanently affixed to the property
2) Proven to save either energy or water, or generate clean power

Examples

- HVAC
- Building automation systems
- Building envelope (roof, windows)
- Elevator modernization
- Solar PV or fuel cells
- High-efficiency lighting fixtures and lamps
- Occupancy and day-lighting sensors
Ideal Candidates

- Properties leased to government agencies
- Older buildings in need of major upgrades
- Properties with low loan to value
- Portfolios of properties with a single owner
- Industrial/manufacturing facilities
- Properties needing to comply with legal requirements
Questions?