

Residential PACE Consumer Protection Task Force

DRAFT Minutes

Thursday, July 27, 2014

Present: Anne O'Connor (Chair), Ben Passer (delegate of Will Nissen, Fresh Energy), Therese Kuvaas (delegate of Janet Johnson, MN Bankers Assn), Ryan Smith (delegate of Mara Humphrey, MN Credit Union Network), Julie Padilla (Renovate America), John Kearney (MnSEIA), Logan O'Grady (Clean Energy Economy Minnesota), Craig Johnson (League of MN Cities), Chris Duffrin (Center for Energy & Environment), Annie Levenson-Falk (Citizens Utility Board), Paul Eger (MN Realtors), Peter Klein (St. Paul Port Authority)

Chair O'Connor called the meeting of the Task Force to order at 9:05 AM

AGENDA:

- Welcome
- Introductions
- PACE Big Picture
- Department of Energy Guidelines
- Energy Improvement Requirements
- Lender Requirements
- Contractor Requirements
- St. Paul Port Authority Presentation
- Renovate America Follow-Up
- Documents and Helpful Information
- Public Comment

PACE Big Picture

Sandy Fazeli, Managing Director with the National Association of State Energy Officials (NASEO), gave a big picture overview on Residential PACE. A copy of the presentation will be emailed to Task Force members.

Comments/Questions:

- *Question:* Are subordinate lien programs active in other states?

- *Response:* Maine and Vermont have active subordinate lien programs. Colorado is looking at the issue.
- Members asked if NASEO had a matrix on different state models with more detail
 - *Response:* NASEO will try to compile this in the next 2-3 weeks
 - Another Member suggested we also look at the information the National Conference of State Legislators has already put together

Department of Energy (DOE) Guidelines

Eleni Pelican, Senior Policy Advisor with the DOE, gave an overview of the DOE's Best Practices Guidelines. A copy of the presentation will be emailed to Task Force members.

Comments/Questions:

- In response to DOE presenting on contractual subordination, Renovate America informed the Task Force that they have discontinued their contract option.

Energy Improvement Requirements

Jessica Burdette, State Energy Office Manager with the Commerce Department, gave a presentation on existing requirements related to energy improvements. Copies of the presentation were provided in members' folders.

Comments/Questions:

- In addition to Jessica's presentation, she recommended the Task Force give consideration to the definition of qualifying real property
- A Member commented that the simple payback doesn't take into consideration the life of the product
- *Question:* Who has the power to decide future energy prices?
 - *Response:* The statute is vague. There is no clear definition for determining future energy prices
- A Member commented that in statute, an energy auditor is not required to be impartial.
 - *Response:* When Commerce looks at approval, we take this into consideration.
- *Question:* What has Commerce decided about approval of third-party software in terms of an energy audit?
 - *Response:* Commerce has not confirmed

Contractor Requirements

Charlie Durenberger, Director of Licensing and Enforcement with the Department of Labor and Industry (DLI), began a discussion on contractor requirements that DLI enforces. Charlie stated that some contractors are not required to be licensed, so as the Task Force moves forward it is important to think about consumer protection in terms of contractor requirements. Charlie will continue his presentation at the next Task Force meeting.

Lender Requirements

Max Zappia, Deputy Commissioner of Financial Institutions with the Commerce Department, gave a presentation on the various types of lenders and loans in Minnesota and their requirements. Copies of the presentation were provided in members' folders.

Comments/Questions:

- *Question:* What are the current requirements that traditional lenders have in place relating to contractors? If the relationship between PACE and contractors is implicated, shouldn't this be considered across all types of lenders?
 - *Response from another Task Force member:* This should depend on the transaction. There is a difference if a contractor is the one pushing the loan versus if a customer is going into a bank for the loan.
- *Question:* Does Renovate America's product fall under a loan?
 - *Response from Renovate America:* PACE is an assessment, not a loan or mortgage product.

St. Paul Port Authority

Peter Klein, Vice President of Finance with the St. Paul Port Authority, gave an overview of their role in PACE, accomplishments and lessons learned. Copies of the presentation were provided in members' folders.

Comments/Questions:

- *Question:* Would subordination dampen the St. Paul Port Authority's enthusiasm for PACE?
 - *Response:* Peter stated that is he unsure at this time. He also stated that he does not think counties have concerns with contractual subordination.
- *Question:* Is PACE the best financing option and if so, why?
 - *Response:* PACE works well with two niches: renewables and multi-tenant buildings. It is the best financing option for commercial projects because it allows for semi-annual payments and the advantage of tax credits.
- *Question:* Are there other entities doing Commercial PACE besides the St. Paul Port Authority?
 - *Response:* The Southwest Regional Development Commission administers Commercial PACE in 18 counties.
- It was mentioned that the Center for Energy and Environment (CEE) has invested in a few projects that the St. Paul Port Authority has taken on as a funding source. The St. Paul Port Authority cannot do religious buildings.

Renovate America

Julie Padilla, Regional Director of Market Expansion and Policy for Renovate America, provided follow-up from the last Task Force meeting regarding the flow of money and legal relationships that exist with Residential PACE. Copies of the presentation were provided in members' folders.

Comments/Questions:

- *Question:* Is the Know Before You Owe disclosure required by law or standard practice?
 - *Response:* California law requires use in California. It is included as industry standard practice elsewhere.
- *Question:* How do people find PACE contractors?
 - *Response:* People can find contractors through the Renovate America PACE website or they can call for recommendations.
- *Question:* What is unique about the PACE financing structure?
 - *Response:* The fit of Residential PACE often depends on the person. Many people opting for this financing option are often choosing between PACE and unsecured, high interest options (such as credit cards). PACE also provides for a longer payback schedule. It fits well for homeowners who do not have cash on hand and do not have the option for a second mortgage.
- *Question:* Members have heard of instances of Renovate American making payments on behalf of homeowners and not telling the bond owners
 - *Response:* Renovate America is not doing this anymore. This was an instance of one branch in the company not talking to another.
- *Question:* What about paying contractors for getting the contracts?
 - *Response:* Renovate America does not do this, but they cannot speak for other Residential Pace providers.

Public Comment

Comments/Questions:

- The Minnesota Homeownership Center wanted to inform Task Force members that they have a resource available on their website that discusses other payment options. It can be found at hocmn.org. The link to this resource will be emailed to the group.