



Inspector General Insights

Background: The Property Assessed Clean Energy (PACE) program allows property owners to finance renewable energy, energy efficient, water conservation and wind-hardening improvements, with repayment of the amounts financed through special assessments on their property tax bills. The Board of County Commissioners established the PACE program within the unincorporated area of Collier County via Resolution 2017-130, as approved on July 11, 2017.

Objective: After receiving complaints, we reviewed the first year of operations of the program for statutory compliance.

Scope: We included all filings registered with the Tax Collector through 2020 in the final results:

Total Collier County PACE Assessments on Tax Bills (2018 - 2020)

PACE Provider	2018 PACE Assessments	2019 PACE Assessments	2020 PACE Assessments	Total PACE Assessments	% of Total
Ygrene (Green Corridor)	116	276	338	730	81.75%
Florida Green Finance Authority (Renew)	8	34	44	86	9.63%
Florida Resiliency and Energy District (FRED)	0	5	9	14	1.57%
Florida PACE Funding Agency (Counterpointe)	3	28	32	63	7.05%
Total	127	343	423	893	100.00%

Our detailed review of the individual assessments was limited to the first year (2018) of the program:

Provider	# of Properties with PACE Special Assessments on 2018 Tax Bills	Average 2017 Taxes and Assessments	Average 2018 Taxes and Assessments	Average Increase in Taxes & Assessments	Average % Change in Tax Bill	Average 2018 PACE Assessment	Average Term of Loan
Ygrene (Green Corridor)	116	\$2,263.77	\$4,888.41	\$2,624.64	115.9%	\$2,624.27	17.5
Renew (Florida Green Finance Authority)	8	\$1,536.56	\$3,865.33	\$2,328.77	151.6%	\$2,286.89	17.5
Counterpointe (Florida PACE Funding Agency)	3	\$1,838.37	\$4,126.78	\$2,288.41	124.5%	\$2,337.16	20.0
Total	127	\$2,207.91	\$4,805.97	\$2,598.06	117.7%	\$2,596.24	17.5

Observations: Findings:

- In 2018, PACE Contractor Ygrene did not record 60 or 49.2%, of Summary Memorandums of Agreement within five (5) days of execution, as required by Florida Statute 163.08(8).
- Ygrene did not record 76 or 62.3% of their Addendums to Financing Agreements within five (5) days of execution.
- We observed discrepancies in the notarized documents filed with the Clerk, including some under an open investigation referred to Law Enforcement.

- We were able to validate that 4.1% of 2018 Ygrene assessments complied with the requirement to provide a 30-day advance notice to a holder or loan servicer of any existing mortgages prior to entering into a financing agreement. We could not verify that the remaining balance of agreements complied with this specific requirement of Florida Statute 163.08(13).

Concerns:

- There were 122 separate Ygrene PACE agreements that related to special assessments on the 2018 tax bills. (This amount exceeded the 116 individual properties with 2018 Ygrene special assessments due to some properties having more than one PACE loan agreement). Of the 122 Ygrene PACE agreements, three contractors, who were either under criminal investigation or were suspended from the PACE program for deceptive business practices, performed the work on 66.4% of these properties.
- Habitat for Humanity provided a list of 24 properties sold to homeowners under their program that had PACE loans financed through Ygrene, giving them a subordinate lien position. Habitat has taken steps, with limited available funds, to refinance seven of these loans.
- Ygrene indicated that HVAC systems were financed up to twenty (20) years, consistent with Department of Energy useful life estimates. 69.2% of PACE financed HVAC Units with special assessments on 2018 tax bills were for a term of 20 years or greater, although it is common practice in Florida to limit HVAC financing and warranties to 10 years.
- PACE providers were accused of targeting lower income homeowners. 70.0% of the fifty (50) PACE-financed solar power systems were in homes with a market value of \$250,000 or less. 48.0% of solar power loans were for properties in Golden Gate City and an additional 20% in the adjacent 34104 zip code.
- Ygrene's CPA had the following findings in his audit reports:
 - Every year between 2014 and 2018 (the latest audit available), the majority of applications filed online were not available for review, making it difficult to ascertain if they had complied with their statutory due diligence to determine eligibility.
 - In 30% of the cases sampled between 2014 and 2016, Ygrene did not demonstrate that they determined the owner was current on all debt on the property for the last three years, as required.
 - Between 2015 and 2017 none of the addendums to the financing agreements, which finalize the terms after the project is completed and reconcile the recorded lien amount filed, had been signed by the homeowners.

Recommendations & Actions: We prepared draft report of our findings for 2018, the initial year of the program, which was shared with the Collier County Commissioners.

Conclusion: The residential PACE program in Collier County was terminated on June 25, 2019. Although the commercial program was authorized, no commercial transactions were recorded with the Clerk through 2020.

Total # 2018 Transactions	2018 Amounts Audited or Reviewed	2018 Questioned Costs	Taxpayer Savings	Types of Findings Observed
127	\$ 329,722.44	\$ 329,722.44	N/A*	4

* Any savings to homeowners would be at the private, rather than the public, level.