



JERRY SANDERS
MAYOR

September 24, 2009

Mr. Tom Cochran
The U.S. Conference of Mayors
1620 I Street, NW
Washington, DC 20006


Mr. Raymond C. Scheppach
National Governors Association
Hall of the States
444 N. Capital Street, Suite 267
Washington, DC 20001-1512

Dear Messrs. Cochran and Scheppach:

Today at the Clinton Global Initiative President Clinton highlighted an innovation that has the potential to finance the energy retrofit of America's built environment by providing our nation's Mayors and Governors with access to long term capital that can create jobs and reduce their constituents energy bills, all while reducing greenhouse gas emissions. The innovation, Property Assessed Clean Energy ("PACE") finance, originated in California with state enabling legislation in 2008 and San Diego county is proud to be an early adopter with our planned PACE program launch over the next several months.

The Clinton Global Initiative has asked for 50 of our nation's Mayor's, on a bipartisan basis, to help accelerate PACE program adoption. I am honored to be one of our nation's first Mayors to support PACE and am writing to encourage our nation's Governors and Mayor's to embrace PACE program development given the large potential benefits (see below detailed description). The City of San Diego plans to derive strong long term advantages through PACE program adoption and we urge the rest of our nation, on a bipartisan basis, to join us.

Sincerely,


JERRY SANDERS
Mayor



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MAYOR

Background & Advantages of PACE Programs:

Key Event: The PACE finance industry began in California in 2008 when state enabling legislation was passed allowing for municipalities to create financing districts that could provide low cost retrofit capital to homeowners and building owners secured by senior tax liens on their property. PACE has the potential for large growth due to recently passed similar enabling legislation in 12 additional states with many additional states considering legislation.

Property Assessed Clean Energy (“PACE”) Finance Defined: A PACE bond or lien is a debt instrument where the proceeds are lent to commercial and residential property owners to finance energy retrofits (efficiency measures and small renewable energy systems) and who then repay their loans over 15-20 years via an annual assessment on their property tax bill. PACE bonds can be issued by municipal financing districts or finance companies and the proceeds can be used to retrofit both commercial and residential properties.

The key innovations of PACE finance involve materially lengthening the repayment period for energy retrofits loans and structuring the loan repayments as annual property tax surcharges. These innovations result in large benefits to property owners (positive cash flow in the first year on energy retrofits), municipalities (no fiscal burden yet large job creation), existing mortgage holders (borrower cash flow improves and the property value increases), and to PACE bond holders/investors (virtually no risk on investment because the PACE lien is senior in right to mortgage debt). Specific benefits are as follows:

- **Property Owners Can Benefit from Large Cash Savings as Efficiency Savings Exceed the Annual Financing Cost:** Instead of large required upfront payments by property owners for energy retrofits, the capital is lent to property owners and repaid over 15-20 years via an annual property tax surcharge. This long term repayment mechanism results in annual energy savings that greatly exceed the annual property tax cost, making PACE finance highly attractive to home and building owners.
- **Municipalities Create Jobs and Have No Added Credit Risk:** States and municipalities benefit from immediate job creation and the fact that PACE finance creates no credit or fiscal burden as the entire liability resides directly with those property owners who opt in to receiving PACE loans.
- **Appeal to Existing Mortgage Holders:** PACE finance improves the cash flow of property owners (annual energy savings > annual tax surcharge cost) and increases the property's overall value all of which increase the creditworthiness of the existing mortgage.
- **PACE bond holders/investors Benefit from a Highly Secure Investment:** PACE bonds have strong appeal to investors given that they are secured by long term tax liens that are senior in right to mortgage debt.