



Executive Committee Meeting

**Wednesday
November 10, 2021
12:00 P.M.**

**1215 K Street, Suite 1650
Sacramento CA 95814**

**Golden State Finance Authority (GSFA)
Executive Committee Meeting
1215 K Street, Suite 1650
Sacramento, CA 95814**

November 10, 2021 – 12:00 p.m.

In accordance with Government Code section 54953, subdivision (e) (Assembly Bill 361), the November 10, 2021 GSFA Executive Committee Meeting will be facilitated virtually through Zoom with limited in-person attendance. Members of the public may attend the meeting in-person, provided that the GSFA Executive Committee reserve the right to limit the number of people in attendance. Members of the public can also watch or listen to the meeting using one of the following methods:

1. Join the Zoom meeting application on your computer, tablet or smartphone:

Go to: <https://rcrcnet.zoom.us/j/89700521252?from=addon>

Enter Password: 925484

2. Call-in and listen to the meeting:

Dial +1 (669) 900-9128

Enter meeting ID: 897 0052 1252

Enter password: 925484

PUBLIC COMMENT USING ZOOM: Members of the public who join the Zoom meeting, either through the Zoom app or by calling in, will be able to provide live public comment at specific points throughout the meeting.

EMAIL PUBLIC COMMENT: One may also email public comment to mchui@rcrcnet.org before or during the meeting. All emailed public comments will be forwarded to all GSFA Executive Committee members.

DISABLED ACCOMMODATION: Meeting facilities are accessible to persons with disabilities. If you have a disability which requires an accommodation or an alternative means to assist you in attending, observing, or commenting on this meeting, or an alternative agenda document format, please contact GSFA at (916) 447-4806 or by email at mchui@rcrcnet.org by 9:00 a.m. Tuesday, November 9th to ensure arrangements for accommodation.

Executive Committee Members:

Supervisor Bob Williams, Tehama County
Supervisor Daron McDaniel, Merced County
Supervisor Stacy Corless, Mono County
Supervisor Dan Miller, Nevada County
Supervisor Doug Teeter, Butte County

Supervisor Jack Garamendi, Calaveras County
Supervisor Denise Carter, Colusa County
Supervisor Gerry Hemmingsen, Del Norte County
Supervisor Michael Kelley, Imperial County
Supervisor Lee Adams, Sierra County

Agenda

1. Call to Order and Determination of Quorum

Chair, Supervisor Bob Williams, Tehama County

2. Public Comment

At this time any member of the public may address the Board. Comments are usually limited to no more than 3 minutes per speaker.

3. **Consent Agenda – ACTION**
 - a. **July 14, 2021 Executive Committee Meeting Minutes** **Page 1**
 - b. **GSFA Resolution TC001-21: Authorizing Remote and Hybrid Teleconference Meetings of the GSFA Executive Committee Pursuant to Assembly Bill 361** **Page 5**

4. **Quarterly Reports for GSFA** (Discussion and possible action relative to)
Lisa McCargar, Chief Financial Officer
Milena De Melo, RCRC Controller
 - a. **GSFA Condensed Balance Sheet (September 30, 2021)** **Page 9**
 - b. **GSFA Investment Report (Period Ended September 30, 2021)** **Page 13**
 - c. **GSFA Budget v. Actual Report (September 30, 2021)** **Page 17**

5. **GSFA 2022 Proposed Budget – ACTION** **Page 21**
Lisa McCargar
Milena De Melo

6. **Revision to the Revolving Loan Fund Program Rules for Public Projects in Member Counties** **Page 29**
Craig Ferguson, Deputy Director

7. **Updated PACE Residential Consumer Protection Policies – ACTION** **Page 33**
Craig Ferguson

8. **Program Updates** (Discussion and possible action relative to)
Craig Ferguson

9. **Economic Development Updates** (Discussion and possible action relative to)
 - a. **Broadband Program Update** **Page 87**
Barbara Hayes, Chief Economic Development Officer
 - b. **Community Economic Resilience Fund (CERF)** **Page 89**
Barbara Hayes

10. **Golden State Natural Resources Update**
Greg Norton, GSNR President

11. Adjournment

Agenda items will be taken as close as possible to the schedule indicated. Any member of the general public may comment on agenda items at the time of discussion. In order to facilitate public comment, please let staff know if you would like to speak on a specific agenda item. The agenda for this regular meeting of the GSFA Executive Committee was duly posted at its offices, 1215 K Street, Suite 1650, Sacramento, California, 72 hours prior to the meeting.

Any written materials related to an open session item on this agenda that are submitted to the GSFA Executive Committee less than 72 hours prior to the meeting, and that are not exempt from disclosure under the Public Records Act, will promptly be made available for public inspection at GSFA's principal office, 1215 K Street, Suite 1650, Sacramento, CA 95814, (916) 447-4806, during normal business hours, and on the GSFA website, <http://www.gsfahome.org/admin/notices.shtml>.

**Golden State Finance Authority (GSFA)
Executive Committee Meeting
1215 K Street, Suite 1650 Board Room
Sacramento, CA 95814
(916) 447-4806**

July 14, 2021 – 10:00 a.m.

Executive Committee Members:

Supervisor Bob Williams, Tehama County	Supervisor Jack Garamendi, Calaveras County
Supervisor Daron McDaniel, Merced County	Supervisor Denise Carter, Colusa County
Supervisor Stacy Corless, Mono County	Supervisor Gerry Hemmingsen, Del Norte County
Supervisor Dan Miller, Nevada County	Supervisor Michael Kelley, Imperial County
Supervisor Doug Teeter, Butte County	Supervisor Lee Adams, Sierra County

Minutes

Call to Order and Determination of Quorum

GSFA Chair, Supervisor Bob Williams, Tehama County, called the meeting of the Golden State Finance Authority Executive Committee to order at 10:05 a.m. A quorum was determined at that time. Those present were as follows:

Directors in Attendance

Bob Williams	Tehama
Jack Garamendi	Calaveras
Denise Carter	Colusa
Gerry Hemmingsen	Del Norte
Michael Kelley	Imperial
Stacy Corless	Mono
Dan Miller	Nevada
Lee Adams	Sierra

Directors Absent

Doug Teeter	Butte
Daron McDaniel	Merced

Officers in Attendance

Pat Blacklock, Executive Director
Craig Ferguson, Deputy Director
Lisa McCargar, Chief Financial Officer

Others in Attendance

Arthur Wylene, RCRC General Counsel
Barbara Hayes, RCRC Chief Economic Development Officer
Milena De Melo, RCRC Controller

Liz Jensen, RCRC Controller
Sanjay Lee, RCRC Financial Analyst
Maggie Chui, RCRC Governmental Affairs Coordinator
Mary-Ann Warmerdam, RCRC SVP Governmental Affairs
Staci Heaton, RCRC Senior Regulatory Affairs Advocate
Carolyn Jhajj, RCRC Communications Director
Layne Frederiksen, RCRC IT Director
Sarah Dukett, RCRC Legislative Advocate
Mary Pitto, RCRC Regulatory Advocate

Approval of Minutes of the May 12, 2021 Meeting

(Board Members absent from the meeting will be recorded as abstained unless the Board Member indicates otherwise)

Supervisor Lee Adams, Sierra County, motioned to approve the minutes of the May 12, 2021 GSFA Executive Committee Meeting. Supervisor Denise Carter, Colusa County, seconded the motion. Motion passed unanimously with a roll call.

AYE: Calaveras, Colusa, Del Norte, Imperial, Mono, Nevada, Sierra, Tehama (in form only)

Nay: None

Abstain: None

Absent: Butte, Merced

Public Comment

None

GSFA Quarterly Reports

Milena De Melo, RCRC Controller, presented the GSFA Condensed Balance Sheet, Investment Report, and Budget v. Actual Report as of and for period ending May 31, 2021.

Program Updates

Craig Ferguson provided an update on the existing Housing and Energy Programs. Mr. Ferguson noted that GSFA has made significant progress in potential bond issuance as summarized to the full Board during the June 2021 meeting. GSFA is looking at issuing approximately \$20 million in bonds at around the August timeframe. Arthur Wylene, RCRC General Counsel, summarized that staff will be reaching out to the Finance Action Team in the near future for a status update meeting.

Economic Development Activity Update

- **Authorization for the Executive Director to Apply for and Accept a Broadband Strategic Plan and CEDS Development Grant from the U.S. Economic Development Administration - ACTION**

Barbara Hayes, RCRC Economic Development Officer, provided an update on the progress made on Broadband Strategic Plan and summarized the following recommendation:

RECOMMENDATION

It is recommended that the Executive Director be authorized to submit the grant application to the U.S. Department of Commerce EDA for the development of broadband strategic plans and CEDS for counties enumerated in the grant, and to execute all necessary documents to accept and implement the grant.

Supervisor Jack Garamendi, Calaveras County, motioned to approve the Authorization for the Executive Director to Apply for and Accept a Broadband Strategic Plan and CEDS Development Grant from the U.S. Economic Development Administration. Supervisor Denise Carter, Colusa County, seconded the motion. Motion passed unanimously with a roll call.

AYE: Calaveras, Colusa, Del Norte, Imperial, Mono, Nevada, Sierra, Tehama (in form only)

Nay: None

Abstain: None

Absent: Butte, Merced

Adjournment

Chair, Supervisor Bob Williams, Tehama County, adjourned the meeting of the GSFA Executive Directors at 10:24 a.m.



To: Members of the GSFA Executive Committee
From: Arthur J. Wylene, General Counsel
Date: November 2, 2021
Re: GSFA Resolution TC001-21: Authorizing Remote and Hybrid
Teleconference Meetings of the GSFA Executive Committee Pursuant to
Assembly Bill 361 – **ACTION**

Summary

The proposed resolution will allow the Executive Committee to transition back to holding meetings primarily in-person at the GSFA offices, while still permitting full remote participation for those members who are unable to attend in person, or prefer to participate virtually.

Background

Meetings of the GSFA Executive Committee are subject to the provisions of the Ralph M. Brown Act. The Brown Act has traditionally placed significant restrictions on teleconferenced meetings, including requiring that each teleconference location be accessible to the public (i.e., participation of Board members from homes or private offices has not been permitted).

In the early days of the COVID-19 pandemic, the Governor issued a series of Executive Orders temporarily suspending the restrictions on teleconferenced meetings, under which most GSFA Board and EC meetings have been conducted during the last year-and-a-half. These Executive Orders terminated on September 30, 2021. In their place, the Legislature has enacted Assembly Bill 361 (R. Rivas), which permits legislative bodies to continue holding teleconferenced meetings without the traditional Brown Act restrictions (through December 2023) under any of the following circumstances:

(A) The legislative body holds a meeting during a proclaimed state of emergency, and state or local officials have imposed or recommended measures to promote social distancing.

(B) The legislative body holds a meeting during a proclaimed state of emergency for the purpose of determining, by majority vote, whether as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees.

(C) The legislative body holds a meeting during a proclaimed state of emergency and has determined, by majority vote, pursuant to subparagraph (B), that, as a

result of the emergency, meeting in person would present imminent risks to the health or safety of attendees.

At present, neither the California Department of Public Health nor the Sacramento County Health Officer have imposed or recommended social distancing measures. Therefore, to continue to continue holding teleconferenced meetings in the manner to which Board members have become accustomed, each of GSFA's legislative bodies will need to make the alternative determinations required by Assembly Bill 361. These determinations are factually supportable, as the continued rates of transmission of the COVID-19 virus, including the Delta variant, can indeed present imminent risks to the health and safety of some in-person attendees, particularly those with pre-existing health conditions.

If the proposed resolution making these determinations is approved, the EC may continue holding remote and hybrid in-person/remote meetings in substantially the same manner as it has during the past 18 months. (Assembly Bill 361 includes several additional requirements for teleconferenced meetings, including providing an opportunity for “real time” public comment, and suspending the meeting in the event that remote connectivity is lost; however, these are all consistent with GSFA's existing practices.)

Assembly Bill 361 generally requires that the requisite determinations must be reconsidered every thirty days. Since GSFA's legislative bodies typically do not meet that frequently, a new resolution making these determinations will be required at the start of each meeting.

Recommendation

It is recommended that the Executive Committee approve the proposed Resolution Authorizing Remote and Hybrid Teleconference Meetings of the GSFA Executive Committee Pursuant to Assembly Bill 361.

Attachment

- Proposed Resolution TC001-21

GSFA RESOLUTION NO. TC001-21

RESOLUTION OF THE EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS OF THE GOLDEN STATE FINANCE AUTHORITY AUTHORIZING REMOTE AND HYBRID TELECONFERENCE MEETINGS OF THE GSFA EXECUTIVE COMMITTEE PURSUANT TO ASSEMBLY BILL 361

WHEREAS, Golden State Finance Authority (GSFA) is committed to preserving and nurturing public access and participation in meetings of GSFA's legislative bodies; and

WHEREAS, the Brown Act, Government Code section 54953, subdivision (e), makes provisions for remote teleconferencing participation in meetings by members of a legislative body, without compliance with the requirements of Government Code section 54953, subdivision (b)(3), subject to the existence of certain conditions; and

WHEREAS, a required condition is that a state of emergency is declared by the Governor pursuant to Government Code section 8625, proclaiming the existence of conditions of disaster or of extreme peril to the safety of persons and property within the state caused by conditions as described in Government Code section 8558; and

WHEREAS, on March 4, 2020, the Governor proclaimed pursuant to his authority under the California Emergency Services Act, California Government Code section 8625, that a state of emergency exists with regard to a novel coronavirus (a disease now known as COVID-19); and

WHEREAS, on June 4, 2021, the Governor clarified that the "reopening" of California on June 15, 2021 did not include any change to the proclaimed state of emergency or the powers exercised thereunder; and

WHEREAS, as of the date of this Resolution, neither the Governor nor the Legislature have exercised their respective powers pursuant to California Government Code section 8629 to lift the state of emergency either by proclamation or by concurrent resolution in the state Legislature; and

WHEREAS, the continued rates of transmission of the virus and variants causing COVID-19 within GSFA member counties are such that meeting in person would present imminent risks to the health or safety of some attendees of public meetings, particularly those with pre-existing health conditions; and

WHEREAS, the Executive Committee has considered the current circumstances of the state of emergency, and determined that the state of emergency continues to directly impact the ability of the members to meet safely in person;

NOW, THEREFORE, BE IT RESOLVED by the Executive Committee of the Board of Directors of the Golden State Finance Authority as follows:

1. The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.
2. A proclaimed state of emergency exists and as a result of the emergency, meeting in person would present imminent risks to the health or safety of some attendees, particularly those with pre-existing health conditions.
3. The Executive Committee is hereby authorized and directed to conduct open and public meetings in accordance with Government Code section 54953, subdivision (e) and other applicable provisions of the Brown Act.
4. This Resolution is intended to enable the Executive Committee to meet via teleconference in accordance with Assembly Bill 361 of 2021 (Statutes 2021, Chapter 165), whether solely by teleconference or via a "hybrid" combination of physical location and teleconference.
5. This Resolution shall take effect immediately upon its adoption and shall be effective for a period of thirty (30) days thereafter, unless extended pursuant to Government Code section 54953, subdivision (e)(3). Expiration of this resolution shall not prejudice any subsequent action to adopt another resolution in accordance with Government Code section 54953, subdivision (e) during the present or any future state of emergency.

PASSED, APPROVED AND ADOPTED by the Executive Committee of the Board of Directors of the Golden State Finance Authority, the 10th day of November 2021.

I certify that the foregoing resolution is a true and accurate copy of Resolution TC001-21, approved by the Executive Committee of the Board of Directors of the Golden State Finance Authority on November 10, 2021 in Sacramento, California.

Date: _____

Assistant Secretary



To: Members of the GSFA Executive Committee
From: Lisa McCargar, Chief Financial Officer
Milena De Melo, RCRC Controller
Date: November 2, 2021
Re: GSFA Condensed Balance Sheet (September 30, 2021)

Summary

The Condensed Balance Sheet provides an overview of the Net Position of GSFA as of September 30, 2021, compared to audited Net Position as of December 31, 2020 and 2019.

Attachment

- GSFA Condensed Balance Sheet as of September 30, 2021

Golden State Finance Authority
Condensed Balance Sheet (Unaudited)
September 30, 2021

	September 30, 2021	December 31, 2020	December 31, 2019
Current Assets			
Cash in banks *	\$ 13,246,116	\$ 10,553,884	\$ 10,002,362
Cash in trust account (bond offering)	20,153,936	-	-
Cash in CaITRUST and LAIF	18,559,369	5,281,468	69,020,903
Cash in securities brokerage account	45,190,318	64,406,257	8,703,987
Accounts receivable and other assets	1,537,098	1,645,419	974,932
Accounts receivable, proceeds from sale of securities **	109,784,300	151,806,488	8,346,153
Energy loans receivable	4,376,741	5,335,977	6,406,427
SGIP program loans receivable	2,187,621	163,525	-
Multi-family notes receivable	3,200,000	3,200,000	3,200,000
Notes receivable from affiliated entity	3,568,916	2,010,240	-
Revolving loans receivable	136,856	136,856	-
Second mortgages receivable, less loan loss allowance ***	22,461,382	19,289,719	3,256,223
	\$ 244,402,652	\$ 263,829,632	\$ 109,910,987
Total Assets	\$ 244,402,652	\$ 263,829,632	\$ 109,910,987
Current Liabilities			
Accounts payable	\$ 3,319,497	\$ 4,846,171	\$ 2,398,928
Accounts payable, securities to be purchased, at fair value **	109,761,563	153,153,438	8,346,934
Accounts payable to California Energy Commission	10,309,674	10,234,209	10,159,463
Accounts payable to affiliated entities	212,849	2,604,637	1,154,144
Bond payable	20,500,000	-	-
Unearned revenue	-	-	185,912
Unearned revenue: EDA Grant	75,000	-	-
	\$ 144,178,583	\$ 170,838,455	\$ 22,245,382
Total Liabilities	\$ 144,178,583	\$ 170,838,455	\$ 22,245,382
	\$ 100,224,069	\$ 92,991,377	\$ 87,665,605
Net Position, unrestricted	\$ 100,224,069	\$ 92,991,377	\$ 87,665,605

* Includes \$4,283,598, \$5,492,945 and \$4,749,134, as of September 30, 2021, December 31, 2020 and December 31, 2019, respectively, of funds belonging to California Energy Commission and PG&E.

** Balances offset each other for a net impact on Statement of Revenues, Expenses, and Changes in Net Position of \$22,737, (\$1,346,950) and (\$781), as of September 30, 2021, December 31, 2020 and December 31, 2019, respectively.

*** Loan loss allowance of \$450,000 as of September 30, 2021, \$375,000 as of December 31, 2020, and \$200,000 as of December 31, 2019, for all types of mortgages has been included as a reduction of amounts outstanding.



To: Members of the GSFA Executive Committee
From: Lisa McCargar, Chief Financial Officer
Milena De Melo, RCRC Controller
Date: November 2, 2021
Re: GSFA Investment Report (Period Ended September 30, 2021)

Summary

In accordance with GSFA's investment policy, we are providing the GSFA investment report. This report provides a summary of investment transactions from December 31, 2020 to September 30, 2021. Investment returns by investment type and a comparison to the 90-day Treasury Rate for the most recent period of September 30, 2021 have been included.

The CalTRUST yields are the funds' reported September 30th yields. The LAIF return is the fund's September 30th apportionment rate.

Attachment

- GSFA Investment Report as of September 30, 2021

GOLDEN STATE FINANCE AUTHORITY
Investment Report
For the Period Ended September 30, 2021

	Total	CalTRUST Short-Term	CalTRUST Medium-Term	LAIF
Balance 12/31/2020 *	\$ 5,289,139	\$ 1,018,382	\$ 834,531	\$ 3,436,226
Additions	-	-	-	-
Withdrawals	-	-	-	-
Interest (includes accrued)	5,830	879	1,197	3,754
Capital Gain/(Loss)	(3,443)	(1,008)	(2,435)	-
Balance 3/31/2021 *	\$ 5,291,526	\$ 1,018,252	\$ 833,294	\$ 3,439,980
Additions	-	-	-	-
Withdrawals	-	-	-	-
Interest (includes accrued)	920	407	513	-
Capital Gain/(Loss)	812	-	812	-
Balance 5/31/2021 *	\$ 5,293,258	\$ 1,018,659	\$ 834,619	\$ 3,439,980
Additions	13,250,000	-	13,250,000	-
Withdrawals	-	-	-	-
Interest (includes accrued)	6,649	604	1,140	4,905
Capital Gain/(Loss)	12,114	-	12,114	-
Balance 9/30/2021 *	\$ 18,562,021	\$ 1,019,263	\$ 14,097,873	\$ 3,444,885

Yield:

Annualized One Year
 LAIF Apportionment Rate
 Average Maturity (days)
 90 Day Treasury Bill Rate

Reported as of September 30, 2021		
Short Term	Mid Term	LAIF
0.33%	0.52%	N/A
N/A	N/A	0.24%
332	748	321
0.04%		

All current cash investments are held in either California Treasurer's Local Agency Investment Fund (LAIF) or CalTRUST's Short-Term Fund or Medium-Term Fund. Cash in the LAIF fund and the CalTRUST Short-Term Fund may be accessed within 24 hours. Cash in the CalTRUST Medium-Term Fund may be accessed within 72 hours.

No members of the Investment Committee have any conflict of interest with any current investment firms.

Amounts shown include accrued interest at the end of the period.

Purpose of transactions in excess of \$1 million:

- Q3: \$13.3 million transfer from Raymond James to CalTRUST for greater earnings potential and reduction in funds necessary for operations.



Golden State Finance Authority (GSFA)
1215 K Street, Suite 1650 · Sacramento, California 95814
Phone: (855) 740-8422 · Fax: (916) 444-3219 · www.gsfa.org

To: Members of the GSFA Executive Committee
From: Lisa McCargar, Chief Financial Officer
Milena De Melo, RCRC Controller
Date: November 2, 2021
Re: GSFA Budget v. Actual Report (September 30, 2021)

Summary

The Statement of Revenues and Expenses for GSFA provides a budget to actual comparison for the period ended September 30, 2021.

Attachment

- GSFA Statement of Revenues and Expenses, Budget vs. Actual, for the Period Ended September 30, 2021

GOLDEN STATE FINANCE AUTHORITY

BUDGET vs. ACTUAL

September 30, 2021

	Revised 2021 Budget	Period ended September 2021 Budget	Period ended September 2021 Actual	Variance Favorable / (Unfavorable)	Variance Favorable / (Unfavorable)
Revenue:					
Housing Program Revenue	\$ 47,420,000	\$ 35,565,003	\$ 30,991,299	\$ (4,573,704)	-12.9%
Energy Program Revenue	920,000	690,003	669,271	(20,732)	-3.0%
Grant Reimbursed Costs	180,000	135,000	129,086	(5,914)	-4.4%
Interest and Dividend Income	600,000	450,000	23,026	(426,974)	-94.9%
Capital Gains / (Losses)	50,000	37,503	62,752	25,249	67.3%
Ongoing Issuer Fees	80,000	60,003	57,901	(2,102)	-3.5%
2nd Mortgage Interest	175,000	131,247	77,833	(53,414)	-40.7%
Bond & Program Residual Funds	-	-	863	863	100.0%
Interest Income - Notes: GSNR	-	-	8,037	8,037	100.0%
Total Revenue	\$ 49,425,000	\$ 37,068,759	\$ 32,020,068	\$ (5,048,691)	-13.6%
Expenditures:					
Accounting & Auditing	\$ 43,000	\$ 32,247	\$ 26,585	\$ 5,662	17.6%
Bank Fees	1,000	747	1,158	(411)	-55.0%
Bond Issuance Costs	-	-	414,650	(414,650)	-100.0%
Bus Dev & Expansion	300,000	225,000	90,637	134,363	59.7%
Broadband Expansion Implmntn	800,000	600,003	-	600,003	100.0%
Custodian/Trustee	-	-	68	(68)	-100.0%
Consultants	145,000	108,747	208,982	(100,235)	-92.2%
Contract Performance Fee	2,215,000	1,661,247	-	1,661,247	100.0%
Dues, Fees & Subscriptions	20,000	15,003	8,217	6,786	45.2%
Grant Cost	180,000	135,000	129,086	5,914	4.4%
Grant Fund - CA Disaster Assistance	1,000,000	749,997	-	749,997	100.0%
Insurance	43,000	32,247	31,991	256	0.8%
Legal Fees	-	-	3,868	(3,868)	-100.0%
Loan Losses	100,000	74,997	75,706	(709)	-0.9%
Miscellaneous	-	-	350	(350)	-100.0%
Energy Servicing Programs	270,000	202,500	190,000	12,500	6.2%
Gift Program (DPA)	30,000,000	22,500,000	17,933,884	4,566,116	20.3%
Pipeline Services	100,000	74,997	97,500	(22,503)	-30.0%
DPA Program Management	1,750,000	1,312,497	1,750,544	(438,047)	-33.4%
Postage	1,500	1,125	402	723	64.3%
Printing & Duplication	1,000	747	91	656	87.8%
Rent	103,200	77,400	72,392	5,008	6.5%
Contract Support Services	4,652,250	3,560,502	3,560,502	-	0.0%
Sponsorships	100,000	74,997	19,300	55,697	74.3%
Travel - Board Member Reimbs	5,000	3,753	-	3,753	100.0%
Travel	50,000	37,503	4,675	32,828	87.5%
Total Expenditures	\$ 41,879,950	\$ 31,481,256	\$ 24,620,588	\$ 6,860,668	21.8%
Net Revenue Over Expenditures	\$ 7,545,050	\$ 5,587,503	\$ 7,399,480	\$ 1,811,977	32.4%



To: Members of the GSFA Executive Committee
From: Lisa McCargar, Chief Financial Officer
Milena De Melo, RCRC Controller
Date: November 2, 2021
Re: GSFA 2022 Proposed Budget - **ACTION**

The proposed 2022 Golden State Finance Authority (GSFA) Operating Budget constitutes our continued commitment to the core functions of providing affordable housing, energy retrofit, economic development, and targeted efforts to pursue and expand rural broadband. This proposed budget represents a year of planned investment for the organization and is representative of GSFA's continued effort to support ongoing programs and explore new opportunities in line with GSFA's purposes. The following sections describe in more detail the highlights of the attached proposed 2022 Budget and significant changes from 2021.

2022 Proposed GSFA Budget Summary

The proposed 2022 GSFA Budget (Attachment A) includes total revenues of \$39,322,372 and total expenditures of \$37,579,560 and results in net revenues over expenditures of \$1,742,812. The primary sources of revenue and expenditures are described below.

2022 Proposed Revenue Highlights

Proposed revenues are primarily derived from GSFA's housing and energy programs. Interest income from second mortgage portfolio earnings and interest, dividend earnings and capital gains from portfolio investments also provide sources of revenue.

The proposed 2022 budget also includes budgeted revenue contingent upon an award of a grant from the U.S. Department of Commerce Economic Development Administration (EDA). In September 2021, the GSFA Board of Directors approved, and GSFA later submitted, an application for funds to develop broadband strategic plans for 26 member counties and comprehensive economic development strategies (CEDs) for two member counties. Pending approval from EDA, GSFA has budgeted for grant receipts along with matching funds required to be contributed from each member county participating in the grant.

The proposed 2022 GSFA Budgeted Revenue of \$39,322,372 includes:

- Housing program revenue, which remains the primary source of GSFA revenues, are expected to generate \$35,359,132 in 2022.
- Revenues from energy financing programs are estimated to be \$900,000.

- Energy program loan servicing revenue is derived from the American Recovery and Reinvestment Act (ARRA) program. GSFA cost reimbursements from this grant are estimated to be \$170,000 for 2022.
- Interest earnings from investments projected at \$150,000.
- Interest from the affiliated entity loan to Golden State Natural Resources (GSNR) is budgeted to generate interest income of \$172,500.
- The GSFA second mortgage portfolio which is projected to generate interest income of \$150,000.
- Pending approval from EDA, grant receipts of \$1,896,660 and related matching funds from participating counties totaling \$429,080. See further details below in “Key Differences in 2022 and 2021 budgets” section.

2022 Proposed Expenditure Highlights

The proposed 2022 GSFA Expenditure Budget is designed to provide the resources necessary to pursue and implement housing, energy programs and services, economic development, and some expenditures to pursue broadband access in rural counties. The proposed 2022 Expenditure Budget totals \$37,579,560.

The key proposed 2022 GSFA expenditures are highlighted below.

- Housing down payment assistance to homebuyers of \$24,000,000.
- Down payment assistance program management services fees paid to National Homebuyers Fund, Inc. (NHF) totaling \$1,100,000.
- Contract support services payments to RCRC in the amount of \$5,246,400. The proposed contract support services fee includes a prorated amount of the salaries for RCRC personnel who provide services to GSFA through the contract for services with RCRC, including those of the President/CEO, Chief Operating Officer / Chief Financial Officer and Senior Vice President of RCRC. The proposed contract support services amount and the underlying compensation for RCRC personnel that are included in the proposed budget will be approved by the RCRC Board of Directors.
- The proposed budget includes a lump sum contract performance fee of \$1,898,370. Each year, the contract calls for the GSFA Board to consider and approve this performance fee as part of its budgeting process. The performance fee is based on housing and energy program activity levels and net performance.
- Energy program servicing of \$440,000 includes contract payments to NHF related to two energy programs including servicing loans associated with the ARRA program and managing the energy retrofit program. These fees are detailed in the service contract between GSFA and NHF as approved by the respective Boards.

- On September 29, 2021 GSFA issued a \$20,500,000 mortgage revenue bond to reimburse the entity for funds utilized in its down payment assistance program. Total interest expense for the bond is budgeted at \$670,000 for 2022.
- Consulting services for the implementation of aforementioned EDA grant are budgeted to be \$2,325,740. These estimated expenditures will be reimbursed by the grant, if awarded. The actual award may differ from the amount applied for. See further explanation below in the “Key Differences between the 2022 and 2021 Budgets” section.
- Other consulting in the amount of \$600,000 for implementation of broadband efforts. Items include technical support and assistance, marketing and communication, and geographic information system mapping data sourcing.
- \$300,000 for housing – business development and economic development.

Key Differences between the 2022 and 2021 Budgets

The proposed 2022 GSFA Operating Revenue Budget is \$39,322,372, a decrease of \$10,102,628 (20.4%). The proposed 2022 expenditures budget for GSFA of \$37,579,560 represents a decrease of \$4,300,390 (10.3%) from the 2021 approved revised budget. Following is a summary of the key differences between the proposed 2022 and the 2021 approved revised budgets:

- **Housing Program Revenue and Housing Program DPA (Expense) to Homebuyers –**
 - A decrease of \$12,060,868 (25.4%) of housing program revenue resulting from reduced expectations for GSFA’s down payment assistance program. GSFA’s down payment assistance comes in the form of either a Gift or a zero-interest rate Second Mortgage that is forgiven in the future. Both GSFA’s traditional Gift option and expectations for the zero-interest option have been reduced.
 - A decrease of \$6,000,000 (20.0%) in housing program DPA expense resulting from lower housing program expectations.
- **Interest and Dividend Income –** A decrease of \$450,000 (75.0%) associated with earnings on the entity’s investments from CalTRUST and LAIF. Interest rates remain low on those investments.
- **Interest Income – GSNR Loan –** An increase of \$172,500 (100.0%) for interest earned on Golden State Natural Resources (GSNR) existing balance and planned future draws on the loan.
- **EDA Grant and EDA Grant Match (Revenue) & Consultants EDA Grant (Expense) –** The revenue and expense categories for EDA Grant, Match, and Consultants are contingent upon an actual award of the EDA grant as described above. Expenses will not be incurred, nor will revenue be received for reimbursement if the grant is not awarded. Likewise, these budgeted expenditures will be adjusted

to reflect the actual amount of grant award, if different. Amounts included in this budget only represent a portion of the total \$3,050,000 grant applied for and \$690,000 in county match. It is anticipated that, once notified of a successful award, expenditures will begin in the second quarter of 2022 and carry over into 2023. Grant reimbursement and county match dollars will offset such expenditures with a net zero impact to GSFA. In summary, the differences from 2021 are:

- Revenue: An increase of \$1,896,660 (100.0%) and \$429,080 (100.0%) respectively, pending approval of EDA grant application. This item is new and contingent upon EDA awarding the grant to GSFA.
 - Expense: An offsetting increase of \$2,325,740 (100.0%) for consultant costs associated with the execution of EDA grant.
- **DPA Program Management (Expense)** – A decrease of \$650,000 (37.1%) in program management expenses paid to NHF. This fee is based on underlying projected decrease in program volume resulting from lower volume of services provided by NHF.
 - **Contract Support Service Expenses** – Contract Support Service Expense has been budgeted to increase by \$594,150 (12.8%) demonstrating increased support services provided by RCRC in both the housing and broadband initiatives.
 - **Contract Performance Fee** – A decrease of \$316,630 (14.3%). The fee is calculated based on a predetermined and contracted formula based on housing and energy program activity levels, and the projected decrease in such activity, including the revenues from these programs.
 - **Broadband Expansion Implementation** – A decrease of 800,000 (100.0%). The prior year 2021 budget included initial estimated costs that are not anticipated in the 2022 budget year. These costs specifically related to participation in the broadband RDOF – Auction 904. See below for other 2022 budgeted broadband expenditures.
 - **Consultants: Broadband** – An increase of \$600,000 (100.0%) as we continue to pursue broadband related initiatives. These amounts cover costs to consultants in the research and development of broadband efforts.
 - **Interest Expense** – An increase of \$670,000 (100%) expected to be paid for the \$20,500,000 Bond issued in September 2021.
 - **Disaster/Other Assistance** – A decrease of \$900,000 demonstrating a revision in strategy to assist and support our member counties and their communities.

Budgeted Net Revenue

The proposed budget for 2022 will result in net revenues over expenditures of \$1,742,812. The budgeted expenditures include noncash items for projected loan losses of \$100,000 and unrealized gains of \$25,000. Therefore, the proposed 2022 budget is projected to generate net cash resources of \$1,817,812. In conjunction with the strategic

planning process, GSFA expects to formalize its reserve policy for existing resources, to include identifying funds available for operations and those available for investment.

Other Related Matters and Information

Due to the volatility and pace of the programs and markets, request authority for the Executive Director to make necessary business decisions up to \$500,000 per decision outside of the approved operating budget. Also request the GSFA Executive Director be granted with the authority to proceed with necessary operating decisions due to changes in the market, economy or changing transactional requirements to avoid unnecessary delay and provide the necessary flexibility to effectively and timely implement and modify programs. Such expenditure and operational decisions are to be made in consultation with the GSFA Deputy Director, the GSFA Chair and the GSFA Vice Chair and are to be reported back to the Board with subsequent ratification as necessary.

In 2018, the GSFA Board of Directors approved utilization of up to \$10 million of resources as an investment into a potential housing program. In 2020 through 2021 an additional \$30 million was authorized for the expansion of that program. While such investments use cash, they have created an offsetting asset in the form of notes receivable. On September 29, 2021 a \$20,500,000 bond was issued. The bond will mature on October 15, 2051 and will bear interest at a rate of 3.50% per annum. Remittances from loans assigned and pledged to the Bond and currently on GSFA's balance sheet as receivables will be used to pay down the debt. Additional cash flows from receivable collections and pay down of debt obligations are in addition to amounts presented in this budget.

During the June 2020 Meeting, the GSFA Board of Directors approved a loan of up to \$10 million from GSFA to Golden State Natural Resources (GSNR) to finance program activities and meet cash flow requirements during the pre-development phase of GSNR's forest resiliency program. To date a total of \$3,500,000 has been drawn on this line and we anticipate continuation of this support into 2022. Cash flows described herein are in addition to amounts shown in this budget.

Recommendations

It is recommended that the GSFA Executive Committee approve the following recommendations and direct the GSFA Executive Director to make the same recommendations to the GSFA Board of Directors.

1. Approve the attached proposed 2022 GSFA Operating Budget.
2. Grant the GSFA Executive Director the authority to make necessary business decisions and utilize up to \$500,000 per decision outside of the approved operating budget when necessary. Such decisions will be made in consultation with the GSFA Deputy Director, the GSFA Board Chair and Vice Chair and reported back to the GSFA Board at the next available Board meeting.
3. Grant the GSFA Executive Director the authority to proceed with necessary operating decisions due to changes in opportunities, the market, the economy or changing transactional requirements to provide necessary flexibility to effectively and

timely implement programs. Such decisions to be made in consultation with the GSFA Deputy Director, GSFA Chair and GSFA Vice Chair with subsequent ratification by the Board of Directors as necessary.

4. Consider and approve the lump sum contract service fee to RCRC in the amount of \$5,246,400 which includes a prorated amount of the salaries for RCRC personnel who provide services to the GSFA through the contract for services with RCRC, including those of the RCRC President/CEO, RCRC Chief Operating / Chief Financial Officer and RCRC Senior Vice President, and estimated performance fee in the amount of \$1,898,370.

Attachment

- 2022 GSFA Operating Budget (Attachment A)

Attachment A

GOLDEN STATE FINANCE AUTHORITY
Operating Budget
For the Year Ended December 31, 2022

	2022 Budget	REVISED 2021 Budget	Change: Increase / (Decrease)
Revenue:			
Housing Program Revenue	\$ 35,359,132	\$ 47,420,000	\$ (12,060,868)
Energy Program Revenue	900,000	920,000	(20,000)
Grant Reimbursed Costs	170,000	180,000	(10,000)
Interest and Dividend	150,000	600,000	(450,000)
Interest Income - GSNR Loan	172,500	-	172,500
Capital Gains / (Losses)	25,000	50,000	(25,000)
Ongoing Issuer Fees	70,000	80,000	(10,000)
2nd Mortgage Interest	150,000	175,000	(25,000)
EDA Grant - Pending Approval	1,896,660	-	1,896,660
EDA Grant Match (Cash)	429,080	-	429,080
Total Revenue	\$ 39,322,372	\$ 49,425,000	\$ (10,102,628)
Expenditures:			
Accounting & Auditing	\$ 54,100	\$ 43,000	\$ 11,100
Bank Fees	2,000	1,000	1,000
Business Development and Expansion	300,000	300,000	-
Broadband Expansion Implementation	-	800,000	(800,000)
Consultants	212,500	145,000	67,500
Consultants: Broadband	600,000	-	600,000
Consultants: EDA Grant	2,325,740	-	2,325,740
Contract Support Services	5,246,400	4,652,250	594,150
Contract Performance Fee	1,898,370	2,215,000	(316,630)
Disaster/Other Assistance	100,000	1,000,000	(900,000)
Downpayment Assistance Program (DPA)	24,000,000	30,000,000	(6,000,000)
DPA Program Management	1,100,000	1,750,000	(650,000)
Dues, Fees & Subscriptions	-	20,000	(20,000)
Energy Servicing	440,000	450,000	(10,000)
Insurance	64,500	43,000	21,500
Interest expense	670,000	-	670,000
Loan Losses	100,000	100,000	-
Pipeline Services	130,000	100,000	30,000
Postage	1,000	1,500	(500)
Printing and Duplication	1,000	1,000	-
Rent	118,950	103,200	15,750
Sponsorships	100,000	100,000	-
Board Member Travel and Reimbursements	-	5,000	(5,000)
Travel	30,000	50,000	(20,000)
Travel: Broadband	85,000	-	85,000
Total Expenditures	\$ 37,579,560	\$ 41,879,950	\$ (4,300,390)
Net Revenues Over Expenditures	\$ 1,742,812	\$ 7,545,050	\$ (5,802,238)
Noncash Adjustments:			
Capital Gains	\$ (25,000)	\$ (50,000)	\$ (25,000)
Loan Losses	\$ 100,000	\$ 100,000	\$ -
Projected net cash flow	\$ 1,817,812	\$ 7,595,050	\$ (5,777,238)



To: Members of the GSFA Executive Committee
From: Craig Ferguson, Deputy Director
Date: November 2, 2021
Re: Revision to the Revolving Loan Fund Program Rules for Public Projects in Member Counties – **ACTION**

Summary

In 2020, the Board of Directors authorized GSFA to utilize up to \$3MM of its internal resources to establish a Revolving Loan Fund (RLF) for public entities located in member counties. The RLF provides short-term "gap" financing to eligible entities to help cover the upfront costs associated with the delay in obtaining grants or other forms of funding from the State or other agencies. To date, GSFA has provided one completed loan (to the Weed Recreation and Park District), and is in active discussions regarding two others.

The current RLF program rules, established by Resolution Nos. 20-06 and 20-08, allow for a maximum loan amount of \$250,000 and a term of six months, among other criteria. Based on experience developed during program rollout, it appears that these limits may be too restrictive, and may be unduly hindering beneficial projects from taking advantage of the program. It is consequently recommended that these limits be increased, to a maximum loan amount of up to \$500,000 and term of up to two years. It is additionally recommended that the Executive Director be authorized to further increase these limits in consultation with the GSFA Deputy Director, the GSFA Board Chair and Vice Chair and reported back to the GSFA Board at the next available Board meeting. (Such increases could not exceed the total amount of funding allocated to the program.)

An updated resolution implementing these revisions is presented for the Executive Committee's consideration, and potential recommendation to the full Board of Directors.

Recommendation

It is recommended that the GSFA Executive Committee review GSFA Resolution 21-XX: Revising the Revolving Loan Fund Program Rules for Public Projects in Member Counties, and recommend approval to the full Board of Directors.

Attachment

- Proposed Resolution 21-XX

GSFA RESOLUTION NO. 21-

RESOLUTION OF THE BOARD OF DIRECTORS OF THE GOLDEN STATE FINANCE AUTHORITY REVISING THE REVOLVING LOAN FUND PROGRAM RULES FOR PUBLIC PROJECTS IN MEMBER COUNTIES

WHEREAS, on June 17, 2020, the Board of Directors approved Resolution 20-06 establishing a Revolving Loan Fund to support short term loans for member counties; and

WHEREAS, on August 12, 2020, the Board of Directors approved Resolution 20-08 to revise the eligibility criteria for the Revolving Loan Fund, and expand eligibility to include selected short-term loans to non-member public entities located within a GSFA member county; and

WHEREAS, it is desirable and appropriate to revise the Revolving Loan Fund Program rules to increase the maximum amount and term of eligible loans made under the program; and

WHEREAS, it is further desirable and appropriate to authorize the Executive Director to make additional revisions to the permissible amount and term of eligible loans, subject to procedures set forth herein;

NOW, THEREFORE, BE IT RESOLVED BY THE Board of the Authority as follows:

1. Resolution 20-06, as amended by Resolution 20-08, is further amended to add Section 4, as follows:
 4. *Any loan made under the program shall have a maximum amount of up to \$500,000, and a maximum term of up to two (2) years, provided that the Executive Director is authorized to approve loans with a greater amount and/or term in consultation with the GSFA Deputy Director, the GSFA Board Chair and Vice Chair, and reported back to the GSFA Board at the next available Board meeting.*

PASSED APPROVED AND ADOPTED by the Board of Directors of Golden State Finance Authority, the 9th day of December 2021, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Golden State Finance Authority

2021 Chair of the Board

I certify that the foregoing resolution is a true and accurate copy of GSFA Resolution No. 21-___, approved by the governing board of the Golden State Finance Authority on December 9, 2021 in Sacramento, California.

Date: December 9, 2021

Assistant Secretary



To: Members of the GSFA Executive Committee
From: Craig Ferguson, Deputy Director
Date: November 2, 2021
Re: Updated PACE Residential Consumer Protection Policies – **ACTION**

Summary

The Property Assessed Clean Energy (PACE) program sponsored by GSFA, and administered by Ygrene, is presently the largest such program operating in California. In August 2016, the GSFA Board adopted Consumer Protection Policies for the residential PACE program, based on the industry-leading model policy developed by PACENation. These policies apply to all GSFA PACE projects involving residential properties containing four units or less.

Since that time, there have been many changes in the laws and regulations governing the PACE program, and lessons learned regarding the best practices to protect consumers in this area. GSFA has worked together with Ygrene to update the Consumer Protection Policies to incorporate these legal changes and practical lessons, and to strengthen the protections for consumers overall. Major changes from the current policies include:

- Requiring live oral confirmation by the borrower, both before the assessment contract is signed, and after work is completed prior to paying the contractor. This goes above and beyond the requirements of state law.
- Increased oversight of the program administrator's policies and practices, in areas including contractor requirements and auditing standards, eligible improvements and pricing standards, and complaint processes.
- Strengthened underwriting provisions and ability-to-pay requirements.
- Provision of specific, detailed requirements for the use of electronic signatures for PACE program documents.
- Enhanced consumer disclosures, and increased protections against misleading or abusive PACE solicitations.
- Increased measures to ensure contractor accountability and compliance with program rules.

As required by both the Consumer Protection Policies and state law, the program administrator maintains a process for investigating and resolving inquiries and complaints from homeowners, including complaints relating to implementation of these Policies. The complaint process is subject to GSFA's review, and information regarding how to file a complaint is included prominently on the "Unanimous Approval Agreement" signed by every participating homeowner.

The current draft of proposed updates to the Consumer Protection Policies are attached for the Executive Committee's review, in both red-line and clean format. Staff is in the process of finalizing the updates, but does not anticipate any major changes from this current draft. If approved by the full Board, these changes would go into effect on March 31, 2022, which will allow Ygrene sufficient time to make the technical changes necessary to implement the required new measures.

Recommendation

It is recommended that the GSFA Executive Committee review the draft updated PACE Residential Consumer Protection Policies, and recommend approval to the full Board of Directors once the document is finalized.

Attachments

- Proposed Updated PACE Residential Consumer Protection Policies – Clean
- Proposed Updated PACE Residential Consumer Protection Policies – Redline

Golden State Finance Authority
PACE Consumer Protection Policies



March 31, 2022

1. OVERVIEW

Property Assessed Clean Energy (“PACE”) programs enable a much broader range of homeowners to implement energy efficiency, renewable energy, fire and weather resiliency, water efficiency and seismic safety improvements that increase the value, functionality, and sustainability of their homes. Such improvements (“Improvements” or “Measures”) can make homes less costly to operate, safer, and more comfortable to live in, while simultaneously reducing energy and water consumption. Without PACE Programs many homeowners would have no, or only costlier, access to these Measures.

PACE Programs (“PACE Programs”), including the government authorities sponsoring and administering them and the program administrator(s) who help implement them (“Partner(s)”), provide tools and resources that enable homeowners to make smart, informed and responsible choices regarding such Measures. PACE Programs must be responsible for ensuring that the tools and resources are appropriate and accurate, which means that care must be taken with homeowners before, during and after the origination of Program financing. Consumer protections that serve homeowners must be a core value of PACE Programs and Partners.

Residential PACE Programs in California are regulated by the California Department of Financial Protection and Innovation (“DFPI”). The Golden State Finance Authority (“GSFA” or “Authority”) PACE Program complies with all statutory and regulatory requirements as they become effective. Additionally, the GSFA PACE Program maintains consumer protection policies that meet or exceed the standards set forth by PACENation, addressing the following areas: (1) Eligibility and Risk, (2) Disclosures and Documentation, (3) Financing Terms, (4) Operations, (5) Post-Funding Support, (6) Data Security, (7) Privacy, (8) Marketing and Communications, (9) Protected Classes, (10) Registered Contractors, (11) Eligible Products, (12) Pricing, (13) Reporting, and (14) Closing & Funding.

PACE Programs that meet or exceed these standards provide homeowners with a greater level of consumer protection than any other form of PACE financing. Each Partner implementing GSFA’s PACE Program shall comply with the consumer protection policies set forth herein to ensure homeowners realize maximum benefit. The policies set forth in this document represent the minimum consumer protection standards for GSFA’s PACE Program. In the event that any provision of state or federal law is more protective than the standards set forth herein, GSFA’s Program and each Partner shall comply with such more protective provision.

GSFA Statement on Public Benefits of PACE Programs:

Thirty-seven states and the District of Columbia have enacted legislation enabling PACE programs. PACE programs provide an essential public benefit and contribute to the general public welfare by reducing carbon emissions, improving the quality of the environment, and improving energy and water resiliency of the U.S. building stock.

PACE programs provide demonstrated public benefit while enabling an unprecedented range of homeowners to access energy efficiency, renewable energy and water efficiency measures that improve the financial, functional and environmental aspects of home ownership. Such improvements make homes less costly to operate and more comfortable to live in, while reducing energy and water consumption. Without PACE programs many homeowners would have no, or more costly, access to such benefits.

1. ELIGIBILITY AND RISK

Policy Summary:

The GSFA Residential PACE Program (the “Program”), administered by Ygrene Energy Fund California LLC as Partner, overlays statutory requirements with administrative policy objectives to develop specific risk and eligibility criteria for participation in the Program. These criteria take into account the unique risk profile that PACE financing presents to enable qualifying homeowners to access it. While this process will exclude unqualified homeowners and properties, special consideration has been given to develop inclusive standards to the greatest extent possible without undermining consumer protections. The criteria examine four key attributes of every financed project, in addition to the minimum statutory requirements set forth in California law for PACE financing: (1) the real property (“Property”) on which the improvements will be installed, (2) the encumbrances presently recorded against the Property, (3) the nature of the improvements to be installed; and (4) the homeowner’s mortgage and property tax payment history.

- 1.1. **Properties.** Consistent with foundational considerations, it is the policy of the Program to make the Program available to the entirety of the existing residential housing stock within the jurisdictional boundaries of the Program. Applicable law governs the eligibility criteria for Properties and not all properties may be eligible for PACE. The Partner will examine the Property for compliance with the criteria set forth in applicable law. If requested in good faith by a homeowner whose Property has been found ineligible, the Program or Partner may undertake a “second look” eligibility review of the applicant’s Property, re-examining the specific attributes of the Property in question and confirming or modifying the original determination.

Properties for which the Consumer Protection Policies (CPP) does not apply include: (i) commercial properties (including residential properties comprising five (5) or more units), (ii) new commercial properties under construction and (iii) properties that cannot be subject to an assessment or levy.

1.2. **Underwriting** PACE Program assessments appear as line items on property tax bills and homeowners repay their financing when they pay their property tax bills. Encumbrances on the property, mortgage and property tax payment history of a homeowner of record are, thus, an important factor in determining a homeowner's eligibility to participate in the Program. In California, the requirements for assessment contracts are set forth in Government Code section 53328.1, Streets and Highways Code sections 5898.10 et seq. and 5900 et seq., and Financial Code sections 22680 et seq. Those requirements, together with additional requirements adopted by the Authority, include but are not limited to the following:

- The applicant is the owner of record.
- The property that will be subject to the assessment contract has no recorded and outstanding involuntary liens in excess of one thousand dollars (\$1,000).
- The property that will be subject to the assessment contract has no notices of default currently recorded that have not been rescinded
- The property owner has not been a party to any bankruptcy proceedings within the last four years, except that the property owner may have been party to a bankruptcy proceeding that was discharged or dismissed between two and four years before the application date and the property owner has had no payments more than 30 days past due on any mortgage debt or nonmortgage debt, excluding medical debt, during the 12 months immediately preceding the application date.
- The property owner is current on all mortgage debt on the subject property and has no more than one late payment during the six months immediately preceding the application date and if the late payment did not exceed 30 days past due.
- The property that will be subject to the assessment contract is within the geographical boundaries of the applicable PACE program.
- The measures to be installed pursuant to the assessment contract are eligible under the terms of the applicable PACE program.
- The financing shall not exceed 15 percent of the value of the property, up to the first seven hundred thousand dollars (\$700,000) inclusive of the existing assessments and shall not exceed 10 percent of the remaining value of the property above seven hundred thousand dollars (\$700,000).
- The total PACE assessments and the mortgage-related debt on the property subject to the PACE assessment will not exceed 97 percent of the market value of the property as established by the valuation required by Section 22685.
- The term of the assessment contract shall not exceed the estimated useful life of the measure to which the greatest portion of funds disbursed under the assessment contract is attributable. The program administrator shall determine useful life for purposes of this subdivision based upon credible third-party standards or certification criteria that have been established by appropriate government

agencies or nationally recognized standards and testing organizations.

- The property that will be subject to the assessment contract is not subject to a reverse mortgage, as defined in Section 1923 of the Civil Code.
- The total amount of any annual property taxes and assessments shall not exceed five percent of the property's market value.
- The homeowner has no delinquent federal or state tax obligations greater than \$1,000.
- The homeowner has reported to the Partner any and all as-yet unrecorded encumbrances on the Property and their full amounts, including any contractual assessments or special taxes levied by a PACE Program, and those verified encumbrances will be included in any calculations of the total amount of debt secured by the Property.

- 1.3. **Eligible Improvements.** The Program provides financing for a broad range of eligible products and projects permanently affixed to the Property, the details of which are set forth in Section 11 below. The Program is not available to finance ineligible products and projects, which comprise anything not specified in Section 11, subject to an appeal and review of specific measures on a case-by-case basis by the Partner to determine whether the measure nonetheless complies with the requirements of the applicable PACE statutes. While the Partner is responsible for confirming compliance with the Section 11 requirements, it is not responsible for determining post-installation energy performance, savings or efficacy of such products or projects. The Partner shall rely on applicable state law, including but not limited to Government Code section 53328.1, Streets and Highways Code sections 5898.10 et seq. and 5900 et seq., and Financial Code sections 22680 et seq., and data and ratings from the U.S. Department of Energy, the Environmental Protection Agency, and other federal and state government agencies in determining what constitutes an eligible Improvement or Measure.

2. DISCLOSURES & DOCUMENTATION

Policy Summary: The enforceability of the Program is derived from the documentation established and approved by GSFA consistent with enabling state legislation. In states where judicial validation proceedings are available, it is considered best practice to complete judicial validation of the Program prior to commencement. The GSFA PACE program judicial validation was completed on July 22, 2015. Documentation for Program participants developed or utilized by the Partner shall ensure compliance with these consumer protection policies and must be clear, complete, and fair to all parties. A reader who has spent time with the documentation must have an unambiguous understanding of each and every right, risk and obligation associated with the Program's financing product. PACE is a new and developing form of financing that, while sharing some features of traditional financing, presents new considerations for homeowners. The documentation shall disclose traditional "know before you owe" financing terms ("Disclosures" e.g., interest rates, financing term, payment amounts) in compliance with state law and these policies. Disclosures covering the Program financing's specific repayment cycle (typically, annual or semiannual) and the Federal Housing Finance Authority's announcement regarding payoff of Program financing at the time of sale or refinance are among the new considerations. In the end, a homeowner who understands the Program's disclosures will be informed and have a

clear understanding of the Program’s traditional and non-traditional features.

- 2.1. **Document Timing.** Except in the case of refinancing, before commencement of any Program-financed project, a homeowner must: (i) submit an application; (ii) receive approval of the Measures from the Partner; and (iii) execute documentation covering the terms and disclosures summarized in this Section. Following installation of the Measures, a homeowner must: (i) execute an acknowledgement that the installation of the Measures has been completed satisfactorily; and (ii) receive and approve a final summary of costs and payments. Delivery to and execution of all such documentation by the homeowner is the responsibility of the Partner.
- 2.2. **Terms.** Terms that are fundamental to the Program and that need to be reflected in its Disclosures include, in addition to any statutory requirements, all of the following: (i) the amount financed including the cost of the installed Measure(s), together with Program fees and capitalized interest, if any, (ii) the repayment process and schedule, (iii) the payment amounts, (iv) the term of the financing (that does not exceed the average useful life of the Measures as defined in this policy), (v) the rate of interest charged (such rate to be fixed and not variable), (vi) a payment schedule that fully amortizes the amount financed, (vii) the nature of the lien or obligation created upon recordation, (viii) the specific improvements to be installed, (ix) the 3-day or 5-day right to cancel the financing, (x) the right to withhold approval of payment until the project is complete, and (xii) any other relevant state statutory rights, notices, or requirements (e.g. Section 5899.2 rights for solar lease improvements). It is the responsibility of the Partner to prepare, deliver and arrange for execution of documents reflecting such terms.
- 2.3. **Disclosures Policy.** Disclosures ensure that homeowners are aware of and understand key Program financing terms and risks that appear in the Program’s documentation. The Partner shall confirm delivery to, and receipt by, homeowners of these Disclosures, and obtain written acknowledgement that homeowners have read and understand them. The following comprise key Disclosures of the Program provided by Partners in a financing summary, in addition to any statutory requirements:

Disclosures	Description
Term of financing	The maximum time period of the financing
Amount financed	The total amount financed, including the installed cost of the Measure(s), optional rate buy down fees, Program fees, and capitalized interest, if any
Annual payment amount	The amount due each year, even if paid in semi-annual installments or through impound payments. Not including administrative fees billed by the county.
Annual interest rate/APR	The effective interest rate after taking into account all fees and capitalized interest. Not including administrative fees billed by

	the county.
Improvements financed	The Measures installed
FHFA risks	The risk that the homeowner may need to pay off the PACE special tax or assessment at the time of sale or refinance
Right to cancel	The 3-day right to rescind the financing, or 5 days as applicable for individuals 65 years old or more.
Prepayment	The property owner is allowed to prepay at any time after the first tax payment without penalty. Payment of processing and recording fees are not penalties and are expressly permitted.
Program overview	A document or section of a document that provides a comprehensive summary of the Program, including a summary of a homeowner's rights and obligations
Property tax repayment process	Description of the property tax payment process and the line item for repayment of the Measures that the Program financed
Tax benefits	A statement that the homeowner should consult their tax adviser regarding tax credits, credits and deductions, tax deductibility, and other tax benefits available.
Privacy	A notice describing the privacy policies of the Program
Federal disclosures	Those appearing in the Program application
Foreclosure	The risk of foreclosure and the foreclosure process in the event of a homeowner default
Tax lien status	A notice disclosing assessment's status as a tax lien.
Payment mechanics	A description of when the initial payment is due, and how the assessment payments may affect mortgage payments for homeowners with mortgage escrow accounts.
Late payments	A description of the penalties associated with making late payments.
Cost savings	A notice that any potential utility savings associated with the Measures financed by the Program are not guaranteed, and will not reduce the assessment payments or total assessment amount.

- 2.4. **Confirmation of Terms.** Before the assessment contract can be signed, at least one owner of the property must confirm live by telephone with the Partner the key terms and information related to the project. The requirements for this telephone call are set forth in Streets and Highway Code 5913.
- 2.5. **Electronic Document Delivery.** If any disclosures, assessment contracts, or other documents are provided or approved electronically, they must be provided and approved in compliance with California's Uniform Electronic Transaction Act (UETA) or the

federal Electronic Signatures in Global and National Commerce (E-SIGN) Act, as applicable. Partners shall, at a minimum, comply with the provisions contained in sections 1620.06 and 1620.07(b)(2) of the DFPI regulations relating to electronic document delivery and approval. During the confirmation of terms call, the Partner shall confirm that the property owner has access to the internet and agrees to accept the documents at an electronic mail address of the property owner's choosing.

- 2.6. **Lender Disclosure Policy.** For all program financing contracts, a notification must be sent to all lenders of record outlining the key terms of the project to be undertaken on the Property. This notification shall be transmitted by the partner on behalf of, and with the consent of, the Property Owner.
- 2.7. **Language Disclosure.** When an application for program financing is submitted, the Partner shall communicate in the same language as the application with the property owner. During the confirmation of terms call, the Partner shall confirm with the property owner their preferred language. . If the language is other than English, the Partner shall provide translation of all program documents and oral confirmation calls in accordance with Streets and Highways Code section 5913.
- 2.8. **Completion of Project.** Before signing for completion of the project, and prior to any final payment being made to the contractor, at least one owner of the property must confirm live by telephone with the Partner each of the of the eligible improvements financed, including any which were added during the course of the project, the total amount to be paid to the contractor and the total final amount financed under their finance contract.

3. FUNDING

Policy Summary: PACE is a new form of financing that, while sharing some features of traditional financing, presents new considerations for financing capital sources and structures. The Partner shall proactively solicit feedback from Program stakeholders and homeowners and incorporate things learned into policy improvements which benefit homeowners.

- 3.1. **Interest Rates.** It is the policy of the Program that Partners must offer fixed simple interest rates and payments that, whether they are level or vary over the term of financing, fully amortize the obligation. Variable interest rates or negative amortization financing terms are not permitted.
- 3.2. **Sustainable Funding Source.** It is the policy of the Program that Partners must establish a sustainable source of capital for funding PACE projects separate from the Authority's funds or budget and have access to capital markets to ensure funding for qualified projects is available on a consistent basis. A Partner must demonstrate the capacity to fund assessments that the Program and Partner anticipate originating through such Partner over a six (6) month period immediately following the Program's review of such Partner's

financial statements.

- 3.3. **Subordination.** For Programs in states with senior lien PACE statutes, a Program and/or its Partners may accommodate owners of PACE assessed homes and prospective buyers of such homes by offering to subordinate certain of its/their rights derived from the PACE assessment lien to the lien of a mortgage or deed of trust. The subordination may provide the lien under a mortgage or deed of trust with senior rights such that the lender will be induced to provide a mortgage loan on a PACE-assessed property. The subordination option may be made available to homebuyers and homeowners in accordance with policy agreed upon by the PACE Program and the Partner.
- 3.4. **Contractor Fees.** It is the policy of the Program that Partners can only charge fees to contractors offering Program financing as long as Partners (i) clearly and conspicuously disclose such fees to homeowners and (ii) require that contractors absorb such obligations and not pass such fees on to homeowners.

4. OPERATIONS

Policy Summary: Operations refers to the staff, procedures, and systems that Partners use to deliver the Program to homeowners and provide them with ongoing support. For Partners, operational competence rests on the ability to perform well in a range of areas and disciplines, such as accounting, finance, capital markets, risk assessment, legal, compliance, government affairs, municipal engagement, training, marketing and sales, contractor engagement, business development, and corporate development. While each component of the Program incorporates thoughtful and highly effective consumer protections in the work it produces, Operations is the gatekeeper responsible for assuring that the Program has the people, processes, tools and technology necessary to deliver to homeowners the Program financing product, as well as the consumer protections described in these Policies.

- 4.1. **Operational Consumer Protection Policies.** It is the policy of the Program that Partners shall provide people and develop processes, tools and technology necessary to support the consumer protection measures described in detail elsewhere in this policy, including: (i) risk and underwriting processes; (ii) terms and documentation delivery systems; (iii) documentation, maintenance and retrieval processes; (iv) disclosure development, delivery and acknowledgment receipt; (v) post-funding support for homeowners and other stakeholders such as real estate professionals; (vi) data security measures; (vii) privacy policy development and protections; (viii) marketing and communication oversight; (ix) protected class data and communication processes; (x) contractor management and engagement; (xi) eligible product database and/or list development and maintenance; (xii) implementation of the maximum financing amounts; (xiii) key metrics reporting; (xiv) closing and funding processes (including the ability to fulfill financing obligations); (xv)

examination data production; and (xvi) implementation of procedures to identify and prohibit conflicts of interest within and associated with the Program.

- 4.2. Each partner shall enroll in, and meet all requirements of, the Property Assessed Clean Energy Loss Reserve Program administered by the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA). Where CAEATFA requirements conflict with state laws, state law shall apply. Partners shall provide the Authority with copies of all semi-annual reports submitted to CAEATFA.

5. POST-FUNDING HOMEOWNER SUPPORT

Policy Summary: A public/private partnership is at the core of the Program. This partnership carries with it elevated consumer protection responsibilities that apply to the Program with as much significance during the post-funding period as they do during the time of application and origination. Requiring Partners to establish and operate an executive office responsible for customer care that responds to inquiries, complaints, contractor and workmanship concerns, product performance questions and related matters for the lifecycle of the improvements financed is fundamental to the consumer protections that the Program provides.

- 5.1. **Proactive Engagement.** It is the policy of the Program that Partners shall proactively monitor and test the consumer protections delivered to homeowners, and to request feedback from homeowners and contractors to identify areas in need of improvement.
- 5.2. **Onboarding.** It is the policy of the Program that Partners shall develop and implement a post-installation onboarding procedure for homeowners to reinforce key characteristics of the Program, such as those highlighted in the Program disclosures.
- 5.3. **Payments.** It is the policy of the Program that each Partner shall have resources readily available to resolve any homeowner questions regarding payments. The Program requires that each Partner implement procedures for responding to requests for prepayment of their PACE property tax assessment in a timely and complete manner, matters regarding impound account catch up payments, payment timing inquiries and payment amount reconciliation among others.
- 5.4. **Inquiries and Complaints.** It is the policy of the Program that its Partners shall receive, manage, track, timely resolve, and report on all inquiries and complaints from homeowners. This policy requires that Partners have an ability to perform inspections, meet with homeowners and contractors, investigate matters, and mediate resolutions with homeowners and contractors. Partners must proactively work to resolve inquiries and complaints in a reasonable and timely manner and in accordance with the Program

guidelines and must make communication for homeowners available during regular business hours by phone, email and facsimile communication. Partners will also maintain inquiry and complaint processes as required by state law. Such inquiry and complaint processes, including any changes thereto, shall be submitted to the Authority for review.

- 5.5. **Real Estate Transactions.** It is the Program’s policy that Partners shall develop capabilities to assist homeowners who are refinancing or selling their Properties. The Partner must support real estate professionals providing services to refinance and sales transactions for properties with PACE assessments.

6. DATA SECURITY

Policy Summary: Trust is fundamental to any financing relationship, and Program financing is no exception. The public/private partnership at the center of the Program, as well as the confidential relationship homeowners have with a Program Partner mandate that any market- ready Program be in robust compliance with sturdy cyber-security standards, and in particular develop secure and tested processes that protect homeowner personal identifiable information at points of potential vulnerability, especially during the application process. Security policies and practices utilized are to, at a minimum, comply with all applicable government laws and regulations for the protection of personal data and information as well as remain current with applicable industry standards. Security measures and practices, including but not limited to those listed below, are subject to audit as directed by the Authority.

- 6.1. **Information Systems.** Each Partner is required to develop and comply with secure and tested processes to protect the personal identifiable information of the homeowner described in Section 7 below, including:
- 6.1.1. A cyber-security policy and protocol that, at a minimum, requires data encryption “during transmission” and “at rest,” and compliance with sturdy cyber-security standards.
 - 6.1.2. A protocol for access to information based upon job function and need-to-know criteria.
 - 6.1.3. Measures that protect the security and confidentiality of consumer records and information, including, without limitation, requiring all computers and other devices containing any confidential consumer information to have all drives encrypted with industry standard encryption software.
 - 6.1.4. Monitoring and logging all remote access to its systems, whether through VPN or other means.
 - 6.1.5. Data security policies that are subject to auditing and penetration testing conducted by an independent auditor hired by the Partner and approved by the Authority. Such audits shall be conducted upon request of the Authority, made not more than once per calendar year, and any time a change is made that may have

any material impact on the servers, security policies or user rights. Copies of all audit reports shall be provided to the Authority upon request.

6.1.6 Ensuring minimum viable configurations are in place on all servers. All firewalls should have continuous logging enabled. In addition, access control lists and audited server configurations should be used to ensure that data security is maintained.

6.2. **Personnel.** Each partner is responsible for:

6.2.1. Informing and enforcing compliance with the Program's data privacy and security policies on the part of every employee, contractor, vendor, agent, service provider, representative, and associate who is exposed to personal identifiable information of homeowners.

6.2.2. Implementing protections and controls to prevent unauthorized copying, disclosure, or other misuse of sensitive consumer information.

7. PRIVACY

Policy Summary: The trusting and confidential relationship that exists between homeowners and the Program extends to the Partners' use of homeowner data. Compliance with the Gramm-Leach-Bliley Act as well as the establishment of clear opt-in and opt-out protocols for information sharing are the pillars of the Program's privacy policy. More broadly, the Program must ensure that Partners protect and manage sensitive consumer information, respect the privacy of all homeowners, and implement robust controls to prevent unauthorized collection, use and disclosure of such information. These protections are subject to the limitation that property owner names, property address, special tax or assessment amount, payment amount and other terms of the PACE financing are public information consistent with property tax law.

7.1. **Privacy Policy.** The Program obtains sensitive personal identifiable information (e.g., full name, home address, social security number, date of birth) from homeowners as part of the Program application process or through other homeowner touch points with the Program. It is the Program's policy that each Partner shall develop and deliver to homeowners prior to receipt of such personal identifiable information, a privacy policy that complies with state and federal law (e.g., the Gramm-Leach-Bliley Act). The privacy policy must expressly prohibit sharing personal identifiable information with third parties without the homeowners' express authorization except where expressly permitted by state and federal law. Such privacy policy will cover (i) the sources from which sensitive consumer information is obtained, (ii) the Partner's use of sensitive consumer information, and (iii) a mechanism by which a consumer may opt-out of sharing information. The Partner will deliver to homeowners any updates to such privacy policies.

7.2. Application Process. It is the policy of the Program that all personal identifying information provided by a homeowner to a Partner during the application process is provided directly by the homeowner to the Partner. The Partners will establish processes and controls to ensure that personal identifiable information of a homeowner is obtained directly from such homeowner (or their documented legal representative or attorney in fact) and not from a contractor or other third party. Neither the contractor nor any Affiliated Individual may act as the homeowner's legal representative or attorney in fact.

8. MARKETING & COMMUNICATIONS

Policy Summary: Clear, informative, truthful, balanced, transparent and complete communications are essential for the Program. The stakeholders of any Program include homeowners, contractors, the governing authorities, government officials and staff, investors, finance partners, real estate professionals, mortgage lenders, and its Partner(s) among others. Communications or acts and practices that mislead stakeholders, add ineligible expense to PACE financing or to the Program, abuse stakeholders, or otherwise fail to meet the core communication standards of appropriateness for the Program are not acceptable.

- 8.1. **Laws and Regulations.** The Program shall comply with all state laws and regulations.
- 8.2. **Prohibited Practices.** The Program prohibits Partners and contractors from engaging in practices that are or could appear to be unfair, deceptive, abusive, or misleading, violate federal or state laws or regulations, provide tax advice, or are in any way inappropriate, incomplete or inconsistent with the Program's purpose.
- 8.2.1. Partners and Contractors are expressly forbidden to: (i) suggest or imply in any way that PACE is a government assistance program, (ii) suggest or imply that PACE is a free program, (iii) suggest or imply that PACE does not involve a financial obligation that the homeowner must repay, (iv) use check facsimiles to dramatize the amount of PACE Program financing that would be available, and (v) present a check facsimile as if a negotiable instrument.
- 8.2.2. Contractors are expressly forbidden from using a local government's logo, city seal or other graphic in marketing materials or presentations in a way that explicitly communicates an endorsement of the Program by the local government unless the local government has provided

explicit permission in writing to do so.

8.2.3. Prohibited marketing practices also include those that are likely to add unnecessary expense to a homeowner (e.g., paying consumers for applications), that unlawfully use nonpublic personal information or that violate any other law or regulation.

8.2.4. Partners and Registered Contractors (defined below) or other permitted vendors that make marketing or sales telephone calls must not violate federal or state “Do-Not-Call” laws.

8.2.5. Each Partner is responsible for developing and enforcing marketing practices that comply with these policies and state and federal law subject to approval by the Authority.

8.3. **Permitted Practices.** It is the policy of the Program to adhere to all legal and regulatory requirements (e.g., telemarketing) pertaining to its advertising and marketing efforts. On the basis of providing clear and concise communication to consumers, any practice that promotes informed decisions on the part of homeowners and is not prohibited as described in section 8.1 above is permitted. The Partner is responsible for developing, delivering to and enforcing marketing guidelines for the Program’s Registered Contractors. Any marketing materials that fall outside of marketing guidelines established must be approved by the Partner to ensure that they are not unfair, deceptive, abusive and/or misleading.

8.4. **Tax Advice.** It is the policy of the Program that no Partner, Contractor or other related third party may provide tax advice to homeowners regarding Program financing, including affirmative statements or claims as to the tax deductibility of the PACE payments. Homeowners are encouraged to seek the advice of an expert regarding tax matters related to the Program. The Partner shall monitor and test the sales practices of employees and contractors to confirm adherence to the policy set forth in this Section 8.4.

8.5. **Payments to Contractors.** It is the policy of the Program that no Partner may provide a direct cash payment, monetary incentives, gifts, or other thing of material value to a Registered Contractor or Affiliated Individual (as those parties are defined in Section 10), except in strict accordance with applicable law (including, without limitation, Streets and Highways Code section 5923).

9. PROTECTED CLASSES

Policy Summary: Each Partner must ensure compliance with all state and federal laws that cover individuals in protected classes, including but not limited to race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, genetic information,

March 31, 2022

marital status, sex, gender, gender identity, gender expression, age, sexual orientation, veteran or military status, citizenship, primary language, immigration status, participation in a public assistance program, or because an applicant has in goodfaith exercised any right under the Consumer Credit Protection Act. Heightened protections for homeowners 65 years of age or older, such as confirming understanding of financing terms and project specifications, is a specific requirement of the Program. Unintentional non-compliance will not excuse a failure to comply with all state and federal laws regarding protected classes.

- 9.1. **General.** The Program requires that Partners develop controls and methods to monitor and test compliance with all state and federal laws covering homeowners in protected classes.
- 9.2. **Elders.** Each Partner must develop and implement a protocol to ensure that all homeowners 65 years of age or older understand the purpose of each Measure for which Program financing is sought, and the terms of such financing as described in Section 2.4.
- 9.3. **Financing Application Access and Decisions.** It is the responsibility of the Partner to provide legally unbiased access to and decisions regarding Program participation to all applicants for Program financing.

10. REGISTERED CONTRACTOR REQUIREMENTS

Policy Summary: Contractors and their salespersons are one of the primary means by which homeowners become aware of Program participation options. Contractors and their salespersons enter into contracts with a Partner, and register with all relevant state and local licensing boards and agencies. Partner shall require that Contractors complete training courses, follow a code of conduct, maintain insurance, post bonds, follow marketing requirements, among other obligations, all of which are designed to assure positive and productive homeowner interaction with the Program. In California, all contractor companies who will offer PACE must enroll with the DFPI through the Program Administrators. These are known as “PACE Solicitors”, and their individual salespeople who will be discussing the financing with the property owner (referred to as “PACE Solicitor Agents”) must also enroll with the with the DFPI through the Program Administrator. It is against the law to solicit residential PACE financing without enrolling as a PACE Solicitor and/or PACE Solicitor Agent.

In addition to the Contractor policies listed below, all Contractors who wish to sell Program financing to homeowners must enroll as Solicitors and/or Agents. Partners shall perform enrollment, monitoring, and termination for Solicitors and Agents in accordance with State requirements in addition to meeting the requirements below.

- 10.1. **Policies.** It is the policy of the Program that all contractors who sell, install, or manage subcontractors who install eligible Measures will have become “Registered Contractors” (may be referred to as “authorized contractors”) with the Program. The Partner shall be responsible for all aspects of enrollment, monitoring, and termination of Registered Contractors. Registered Contractors and all of their employees, entities, owners, partners, principals, and sub- contractors (collectively, the “Affiliated Individuals”) must meet the requirements of the Program, which include:
- 10.1.1. Compliance with the Program’s Contractor Participation Agreement with the Partner, which shall be developed and periodically updated by the Partner. The Contractor Participation Agreement, including any changes thereto, shall be submitted to the Authority for review.
 - 10.1.2. Maintenance of an active license, and being in good standing, with any relevant state licensing board, as well as maintenance of insurance and an ability to meet bonding requirements;
 - 10.1.3. Oversight and management of employees, independent contractors and subcontractors who provide services to Registered Contractors accessing the Program;
 - 10.1.4. Meeting all other state and local licensing, training and permitting requirements;
 - 10.1.5. Compliance with the Program’s marketing policies; and
 - 10.1.6. Ensuring all Affiliated Individuals register with the Program, including completing the Program’s identity verification procedures.
 - 10.1.7. Contractors shall confirm that they have read these Consumer Protection Policies.
- 10.2. **New Contractors.** Regarding Registered Contractors new to the Program, it is the policy that the Partner:
- 10.2.1. Has a specified probationary period (i.e., place the new Registered Contractors on a watch list) until the new Registered Contractors have completed the required number of Measures;
 - 10.2.2. Has procedures in place, during the Registered Contractor probationary period, to provide additional quality assurance steps for Measures completed by the Registered Contractors on the watch list; and
 - 10.2.3. Has procedures in place to review Registered Contractor work to confirm satisfactory completion of projects conducted during the probationary period for which Program financing is used.
 - 10.2.4. Have procedures in place requiring each Registered Contractor to identify one or more authorized representatives with authority to act on behalf of the

contractor.

- 10.2.5. Have procedures in place to verify the ownership of any account(s) to which contractor payments will be submitted and any changes to such accounts.
- 10.2.6. Have procedures in place for requiring that each Registered Contractor use a home improvement contract which complies with all applicable laws and regulations and that the Registered Contractor submit a copy to the Partner upon request.
- 103 **Contractor Management**. It is the policy of the Program that the Partner implement contractor management systems and procedures that manage and track contractor training, homeowner complaints, and compliance violations on an individual and company basis. The Partner will maintain and implement a policy that requires all contractors be reviewed for compliance and risk criteria on an ongoing basis. This policy and the associated compliance and risk criteria, including any changes thereto, shall be submitted to the Authority for review.
- 104 **Contractor Training**. In addition to any training required by state law, it is the policy of the Program that each Partner make available contractor training regarding, at a minimum, the following: (i) the applicable contractor code of conduct terms as required by the Program, (ii) protected classes, including, without limitation, elder protection, and (iii) other consumer protection measures as required by the Program.
- 105 **Remedial Action**. Following its reasonable due process procedure, Partners will warn, suspend, terminate or take other appropriate action with respect to a Registered Contractor based on violations of any Program requirements, in accordance with documented procedures. Each Partner must implement processes for the review and documentation of alleged violation(s) of a Registered Contractor and, if applicable, the suspension and/or termination of such Registered Contractor (“Disciplined Contractor”). The Program does not accept Program applications provided by contractors that the Program terminated in accordance with this Section 10.5.

11. ELIGIBLE PRODUCTS

Policy Summary: *The Program enables and encourages homeowners to install Measures which are permissible under state law and designed to save energy or water, generate renewable energy, or produce other public benefit (e.g., seismic retrofits or fire resiliency). The Partner is responsible for implementing practices and controls (e.g., eligible product databases and product confirmation processes) to ensure that Program financing is used only for eligible Measures, and that it is not provided for ineligible ones. Program product eligibility criteria ensure that property owners are financing improvements which are industry recognized for achieving higher levels of home energy or water efficiency, renewable energy generation, seismic retrofits, wildfire safety improvements, or other state specific approved Measures. While the Partner is responsible for confirming compliance with the*

initial capacities of such products, it is not responsible for determining post-installation energy performance, savings or efficacy of such Measures.

- 11.1. **Policies.** Consistent with the objectives of the PACE enabling legislation, the Partner shall do all of the following, subject to approval of the Authority:
 - 11.1.1. Establish and maintain a publicly available eligible products database and/or list, documenting the associated eligibility specifications for each product that conform to the requirements outlined in the Partner's California Residential Qualifying Improvements List. The List, including any changes thereto, shall be submitted to and approved by the Authority;
 - 11.1.2. Define a process for adding to or modifying the eligible product database and/or list, which shall include making any changes directed by the Authority;
 - 11.1.3. Ensure that eligible product energy efficiency/water efficiency/energy generation (as applicable) performance standards are calibrated and verified using performance criteria that the U.S. Department of Energy, U.S. Environmental Protection Agency, and/or other federal and state agencies or other reputable parties have established;
 - 11.1.4. Use credible third party sources to determine the useful life of each installed product, which will be used to set the maximum term for financing from the Program; and
 - 11.1.5. Require that each product is permanently affixed to the Property.
- 11.2. **Procedures.** The Partner must establish procedures to verify eligible Measures as follows:
 - 11.2.1. Before providing a Contractor with the notice to proceed, confirm that the Measures scheduled to be installed using Program financing comprise only items appearing on the eligible products database or list.
 - 11.2.2. Confirm that at the time of final funding such improvements have been installed.
- 11.3. **Ineligible Products.**
 - 11.3.1. Financing of ineligible products under the Program is prohibited.
 - 11.3.2. Products that are not included on the eligible products list or in the eligible products database can be submitted for review by the Partner, if a homeowner has reason to believe they should have been included. Such requests will be processed in accordance with Section 11.1.2.

12. MAXIMUM FINANCING AMOUNT

Policy Summary: Many homeowners cannot readily access price information regarding the installation of energy efficiency, renewable energy and water conservation improvements for their homes, and cost often is a key economic consideration. While the Program does not set price controls, it implements procedures to monitor conformance with generally accepted market pricing ranges.

The Program's maximum financing amount policies provide as follows:

- 12.1. It is the policy of the Program that Partners shall develop generally accepted market pricing ranges based on market data and each Partner's experience. In evaluating project pricing, the Partner takes into account regional factors that may contribute to the pricing of improvements.
- 12.2. It is the policy of the Program that each Partner will, at a minimum, establish generally accepted market pricing ranges for each product type (e.g. for central air conditioners, solar PV systems, solar thermal systems and artificial turf) and maintain pricing controls to ensure such pricing falls within reasonable market range. The Partner's guidelines for establishing such market pricing ranges, including any changes thereto, shall be submitted to the Authority for review.
- 12.3. There is a low to high range of justifiable pricing, depending on the particular product within a product type (e.g. there may be different types of central air conditioners, solar PV systems, solar thermal systems and artificial turf). It is the policy of the Program that each Partner will establish product/project attribute related pricing rules, consistent with and in consideration of the key product pricing attributes that dictate what pricing within such low to high range is justified. The product/project attribute related pricing rules, including any changes thereto, shall be submitted to the Authority for review.
- 12.4. It is the policy of the Program that each Partner must establish processes and systems for purposes of enforcing the generally accepted market pricing ranges (as described in Section 12.3) for every project.
- 12.5. A product may only be funded for an amount that is justified by reasonable standards that are validated and documented through processes and systems acceptable to the Authority.
- 12.6. A Registered Contractor may not provide a different price for a project financed under the Program than the contractor would provide if paid in cash by the property owner.
- 12.7. The Program will comply with all statutory and regulatory requirements related to eligible pricing as applicable

13. REPORTING

Policy Summary: Reporting the economic and environmental results of Program participation is essential for the Program, Partners, elected officials, environmental agencies, the investment community, the real estate and mortgage industry and many other stakeholders. Metrics such as economic stimulus dollars invested, greenhouse gas reduction, the number of Measures funded, the amounts funded, renewable energy production and energy & water savings serve this need. The Partner is responsible for producing, on a quarterly basis, a key metrics report.

- 13.1. **Reporting Categories.** In addition to any reporting requirements established by law, including but not limited to Streets and Highways Code section 5954, it is the policy of the Program that Program statistics reporting and estimated impact metrics in the following categories be developed and reported quarterly to the Authority: (i) number of projects funded, (ii) project amount funded, (iii) estimated amount of energy savings, (iv) estimated amount of renewable energy produced, (v) estimated amount of water savings, (vi) estimated amount of greenhouse gas emissions reductions, (vii) seismic safety improvements installed and (viii) estimated economic stimulus and number of jobs created.

- 13.2. **Reporting Standards.** It is the policy of the Program that all data collected for the quarterly metrics reports be developed and collected using standardized, third party verified methodologies satisfactory to the Authority. The methodologies and supporting assumptions and/or sources must be made available to the Authority by the Partner. It is the responsibility of the Partner to develop reports consistent with each of the categories listed above and to test and verify the data collection and reporting methods and models used. All reports shall include only aggregate data, excluding any sensitive customer information.

14. CLOSING & FUNDING

Policy Summary: The Program provides limited purpose financing to homeowners, and not general purpose financing that is common among traditional sources of financing. The Program has front-end (e.g., eligible Measure verification requirements) and pre-funding (e.g., completion certificates and permits) procedures designed to confirm that their financing dollars are used for permissible purposes. A policy requiring such procedures is essential to protect the integrity of the Program.

- 14.1. **Installation Completion Sign-off.** In addition to any requirements established by state or federal law, it is the policy of the Program that the Partner must confirm, before funding, that the eligible products financed are installed and operational, and

to require that the homeowner and the contractor attest to such by signing a document stating that all products have been installed in accordance with product specifications. It is the responsibility of the Partner to confirm any such document is signed within the maximum allowable installation time as specified by the Program.

- 14.2. **Permits.** It is the policy of the Program for homeowners seeking Program financing to obtain required permits for the installation of Measures and provide verification thereof upon request. Each permit must be signed off by the issuing authority as evidence of project completion.
- 14.3. **Funding.** It is the policy of the Program to disburse funds only for specified phased payments or progress payments for completed phases, or for projects that are fully completed.
- 14.4. **Recording.** It is the policy of the Program to record the Notice of Special Tax Lien in a manner consistent with state law.
- 14.5. **Asset verification.** It is the policy of the Program that Partners shall confirm that product(s) listed on the Completion Certificate and for which Program financing has been provided have been installed using proof consisting of one of the following: proof of completion by geolocated photos, verification of final building permits, inspection by the City or County Inspector, or inspection by other third-party inspector approved by the Authority. Geolocated photos used for asset verification shall be submitted to the Partner through a secure system that incorporates measures to ensure the authenticity of the image and its location. The Partner shall further develop and implement a randomized audit protocol which shall annually review at least 5% of all projects financed by the program that year. Audits shall include, at a minimum, permit validation, project file review, and contractor account level review, and may include onsite inspection if indicated by risk criteria set forth in the protocol. The protocol, including any changes thereto, shall be submitted to and approved by the Authority.

Golden State Finance Authority PACE Consumer Protection Policies



(Residential PACE Programs)

(August 17, 2016)

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March 31, 2022

1. OVERVIEW

Property Assessed Clean Energy (“PACE”) programs enable a much broader range of homeowners to implement energy efficiency, renewable energy, fire and weather resiliency, water efficiency and seismic safety improvements that increase the value, functionality, and sustainability of their homes. Such improvements (“Improvements” or “Measures”) can make homes less costly to operate, safer, and more comfortable to live in, while simultaneously reducing energy and water consumption. Without PACE Programs many homeowners would have no, or only costlier, access to these Measures.

PACE Programs (“PACE Programs”), including the government authorities sponsoring and administering them and, where applicable, the entities program administrator(s) who help implement them (“Partners”); Partner(s)), provide advice, tools and resources that enable homeowners to make smart, informed and responsible choices regarding such Measures. PACE Programs must be responsible for ensuring that the advice, tools and resources are appropriate and accurate, which means that care must be taken with homeowners before, during and after the origination of Program financing. Consumer protections that serve homeowners must be a core value of PACE Programs and Partners. In this document, “Partner” refers to the government authority in all cases where a Program does not include a third party non-government partner.

Residential PACE Programs in California are regulated by the California Department of Financial Protection and Innovation (“DFPI”). The Golden State Finance Authority (“GSFA” or “Authority”), PACE Program complies with all statutory and regulatory requirements as they become effective. Additionally, the GSFA PACE Program maintains consumer protection policies that meet or exceed the standards set forth by PACENation, addressing the following areas: (1) Eligibility and Risk, (2) Disclosures, and (3) Documentation, (4) Financing Terms, (5) Operations, (6) Post-Funding Support, (7) Data Security, (8) Privacy, (9) Marketing and Communications, (10) Protected Classes, (11) Registered Contractors, (12) Eligible Products, (13) Reporting, and (14) Closing & Funding.

PACE Programs that meet or exceed these standards provide homeowners with a greater level of consumer protection than any other form of PACE financing. The recommended Each Partner implementing GSFA’s PACE Program shall comply with the consumer protection policies set forth herein can help guide PACE Program implementation to ensure homeowners realize maximum benefit. The policies set forth in this document represent the minimum consumer protection standards for GSFA’s PACE Program. In the event that any provision of state or federal law is more protective than the standards set forth herein, GSFA’s Program and each Partner shall comply with such more protective provision.

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GSFA Statement on Public Benefits of PACE Programs:

Thirty-twoseven states and the District of Columbia have enacted legislation enabling PACE programs. PACE programs provide an essential public benefit and contribute to the general public welfare by reducing carbon emissions, improving the quality of the environment, and improving energy and water resiliency of the U.S. building stock.-

PACE programs provide demonstrated public benefit while enabling an unprecedented range of homeowners to access energy efficiency, renewable energy, and water efficiency measures that improve the financial, functional, and environmental aspects of home ownership. Such improvements make homes less costly to operate and more comfortable to live in, while reducing energy and water consumption. Without PACE programs many homeowners would have no, or more costly, access to such benefits.

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1. ELIGIBILITY AND RISK

Policy Summary:—

The GSFA and Ygrene Energy Fund's "Ygrene Works Residential PACE Program (the "Program") blends traditional credit risk considerations together with", administered by Ygrene Energy Fund California LLC as Partner, overlays statutory requirements and with administrative policy objectives to develop specific risk and eligibility criteria for participation in the Program. These criteria take into account the unique risk profile that PACE financing presents to enable qualifying homeowners to access it. While this process will exclude unqualified homeowners and properties, special consideration has been given to develop inclusive standards to the greatest extent possible without undermining consumer protections. The criteria examine four key attributes of every financed project, in addition to the minimum statutory requirements set forth in California law for PACE financing: (1) the real property ("Property") on which the improvements will be installed, (2) the encumbrances presently recorded against the Property, (3) the nature of the improvements to be installed, and (4) the homeowner's mortgage and property tax payment history.

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- 1.1. **Properties.** Consistent with foundational considerations, it is the policy of the Program to make the Program available to the entirety of the existing residential housing stock within the jurisdictional boundaries of the Program. Applicable law governs the eligibility criteria for Properties for which the Consumer Protection Policies (CPP) does and not apply include: (i) commercial all properties (including residential properties comprising five (5) or more units), 1.1. (ii) new commercial properties under construction and (iii) properties that cannot may be subject to an assessment or levy eligible for PACE. The Partner will examine the Property for compliance with the criteria set forth in applicable law. If requested in good faith by a homeowner whose Property has been found ineligible, the Program or Partner may undertake a "second look" eligibility review of the applicant's Property, re-examining the specific attributes of the Property in question and confirming or modifying the original determination.

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- 1.2. **Encumbrances.** The encumbrance profile of properties is an important element in determining whether or not they qualify for Program participation. The Program is designed to harness unused financing capacity of homes in which eligible improvements are installed. Such financing is inappropriate if it burdens properties and their owners too greatly. Accordingly, properties eligible for Program financing will have the following attributes:
- 1.2.1. All mortgage related debt on the Property may not exceed 90% of the Property's fair market value ("FMV"), or assessed value if market value data is unavailable or unreliable, at the time of initial approval;
- 1.2.2. Reliability of the Program FMV model should be derived from residential industry accepted and reputable third-party valuation services;
- The financing may Properties for which the Consumer Protection Policies (CPP) does not apply include: (i) commercial properties (including residential properties comprising five (5) or more units), (ii) new commercial properties under construction

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and (iii) properties that cannot be subject to an assessment or levy.

1.2. Underwriting PACE Program assessments appear as line items on property tax bills and homeowners repay their financing when they pay their property tax bills. Encumbrances on the property, mortgage and property tax payment history of a homeowner of record are, thus, an important factor in determining a homeowner's eligibility to participate in the Program. In California, the requirements for assessment contracts are set forth in Government Code section 53328.1, Streets and Highways Code sections 5898.10 et seq. and 5900 et seq., and Financial Code sections 22680 et seq. Those requirements, together with additional requirements adopted by the Authority, include but are not limited to the following:

- The applicant is the owner of record.
- The property that will be subject to the assessment contract has no recorded and outstanding involuntary liens in excess of one thousand dollars (\$1,000).
- The property that will be subject to the assessment contract has no notices of default currently recorded that have not been rescinded
- The property owner has not been a party to any bankruptcy proceedings within the last four years, except that the property owner may have been party to a bankruptcy proceeding that was discharged or dismissed between two and four years before the application date and the property owner has had no payments more than 30 days past due on any mortgage debt or nonmortgage debt, excluding medical debt, during the 12 months immediately preceding the application date.
- The property owner is current on all mortgage debt on the subject property and has no more than one late payment during the six months immediately preceding the application date and if the late payment did not exceed 30 days past due.
- The property that will be subject to the assessment contract is within the geographical boundaries of the applicable PACE program.
- The measures to be installed pursuant to the assessment contract are eligible under the terms of the applicable PACE program.

~~1.2.3.~~ The financing shall not exceed (A) ~~(i) fifteen~~ 15 percent (15%) of the FMV value of the ~~Property~~ property, up to the first seven hundred thousand dollars (\$700,000) inclusive of the ~~Property's FMV existing assessments~~ and (ii) ~~ten~~ shall not exceed 10 percent (10%) of the remaining value of the ~~Property~~ property above seven hundred thousand dollars (\$700,000) ~~minus (B) any existing PACE assessments on the Property~~.

~~1.2.4.~~ The total PACE assessments and the mortgage-related debt on the underlying Property plus Program financing

- ~~may~~ property subject to the PACE assessment will not exceed ~~the FMV~~ 97 percent of the ~~Property~~ market value of the property as established by the valuation required by Section 22685.

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- The term of the assessment contract shall not exceed the estimated useful life of the measure to which the greatest portion of funds disbursed under the assessment contract is attributable. The program administrator shall determine useful life for purposes of this subdivision based upon credible third-party standards or certification criteria that have been established by appropriate government agencies or nationally recognized standards and testing organizations.
- The property that will be subject to the assessment contract is not subject to a reverse mortgage, as defined in Section 1923 of the Civil Code.
- The total amount of any annual property taxes and assessments shall not exceed five percent of the statutory cap property's market value.
- The homeowner has no delinquent federal or state tax obligations greater than \$1,000.
- The homeowner has reported to the Partner any and all as-established-yet unrecorded encumbrances on the Property and their full amounts, including any contractual assessments or special taxes levied by the relevant PACE lawProgram, and those verified encumbrances will be included in any calculations of the total amount of debt secured by the Property.

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1.3. **Eligible Improvements.** The Program provides financing for a broad range of eligible products and projects permanently affixed to the Property, the details of which are set forth in Section 11 below. The Program is not available to finance ineligible products and projects, which comprise anything not specified in Section 11, subject to an appeal and review of specific measures on a case-by-case basis by the Partner and/or Program to determine whether the measure nonetheless complies with the requirements of the applicable PACE statutes. While the ProgramPartner is responsible for confirming compliance with the Section 11 requirements, it is not responsible for determining post-installation energy performance, savings or efficacy of such products or projects. The Program relies on applicable state lawThe Partner shall rely on applicable state law, including but not limited to Government Code section 53328.1, Streets and Highways Code sections 5898.10 et seq. and 5900 et seq., and Financial Code sections 22680 et seq., and data and ratings from the U.S. Department of Energy, the Environmental Protection Agency, and other federal and state government agencies and applicable PACE laws in determining what constitutes an eligible Improvement or Measure.

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1.4. **Homeowners.** PACE Program assessments typically appear as line items on property tax bills and homeowners repay their financing when they pay their property tax bills. The mortgage and property tax payment history of a homeowner of record is, thus, an important factor in determining a homeowner's eligibility to participate in the Program. Accordingly, at the time of application, homeowners eligible for Program financing will at a minimum have status and

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payment histories that are consistent with the following:

- 1.4.1. The applicant is the homeowner of record;
- 1.4.2. Property tax payments for the assessed Property are current. Additionally, the homeowner must certify that there has been no more than one late payment for the shorter of (i) the previous three years, or (ii) since the present homeowner acquired the Property;
- 1.4.3. The homeowner is current on all mortgage debt, and does not have an active Notice of Default (NOD) recorded on the property;
- 1.4.4. The homeowner is not currently in bankruptcy; and
- 1.4.5. The homeowner has no involuntary lien(s) recorded against the Property in excess of \$1,000.

2. DISCLOSURES & DOCUMENTATION

Policy Summary: The enforceability of the Program is derived from the documentation established and approved by GSFA, consistent with enabling state legislation. In states where judicial validation proceedings are available, it is considered best practice to complete judicial validation of the Program prior to commencement. The GSFA ~~Ygrene Works~~ PACE program judicial validation was completed on July 22, 2015. Documentation for Program participants ~~should developed or utilized by the Partner shall~~ ensure compliance with these consumer protection policies and must be clear, complete, and fair to all parties. A reader who has spent time with the documentation ~~should develop~~ must have an unambiguous understanding

of each and every right, risk and obligation associated with the Program's financing product. PACE is a new and developing form of financing that, while sharing some features of traditional financing, presents new considerations for homeowners. ~~Best practices counsel the Program to~~ The documentation shall disclose traditional "know before you owe" financing terms ("Disclosures" e.g., interest rates, financing term, payment amounts) in compliance with state law and these policies. Disclosures covering the Program financing's specific repayment cycle (typically, annual or semiannual) and the Federal Housing Finance Authority's announcement regarding payoff of Program financing at the time of sale or refinance are among the new considerations. In the end, a homeowner who understands the Program's disclosures will be informed and have a clear understanding of the Program's traditional and non-traditional features.

- 2.1. **Document Timing.** ~~Before~~ Except in the case of refinancing, before commencement of any Program-financed project, a homeowner must: (i) submit an application; (ii) receive approval of the Measures from the Partner; and (iii) execute documentation covering the terms and disclosures summarized in this Section. Following installation of the Measures, a homeowner must: (i) execute an acknowledgement that the installation of the Measures has been completed satisfactorily; and (ii) receive and approve a final summary of costs and payments. Delivery to and execution of all such documentation by the homeowner is the responsibility of the Partner.

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	<u>for individuals 65 years old or more.</u>
<u>Prepayment</u>	<u>The property owner is allowed to prepay at any time after the first tax payment without penalty. Payment of processing and recording fees are not penalties and are expressly permitted.</u>
<u>Program overview</u>	<u>A document or section of a document that provides a comprehensive summary of the Program, including a summary of a homeowner's rights and obligations</u>
<u>Prepayment Property tax repayment process</u>	<u>The right to prepay the Program financing with clearly defined penalties, if any, depending on the option and terms selected by the homeowner. Description of the property tax payment process and the line item for repayment of the Measures that the Program financed</u>
<u>Tax benefits</u>	<u>A statement that the homeowner should consult their tax adviser regarding tax credits, credits and deductions, tax deductibility, and other tax benefits available.</u>

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The following comprise additional key Disclosures of the Program provided by Partners:

<u>Disclosures</u>	<u>Description</u>
<u>Program overview</u>	<u>A document or section of a document that provides a comprehensive summary of the Program, including a summary of a homeowner's rights and obligations</u>
<u>Property tax repayment process</u>	<u>Description of the property tax payment process and the line item for repayment of the Measures that the Program financed</u>
<u>Tax benefits</u>	<u>Tax credits or benefits associated with the purchase of certain Measures and the annual payments related to them.</u>
<u>Privacy</u>	<u>A notice describing the privacy policies of the Program</u>
<u>Federal disclosures</u>	<u>Those appearing in the Program application</u>
<u>Foreclosure</u>	<u>The risk of foreclosure and the foreclosure process in the event of a homeowner default</u>
<u>Tax lien status</u>	<u>A notice disclosing assessment's status as a tax lien.</u>
<u>Payment mechanics</u>	<u>A description of when the initial payment is due, and how the assessment payments may affect mortgage payments for homeowners with mortgage escrow accounts.</u>
<u>Late payments</u>	<u>A description of the penalties associated with making late payments.</u>
<u>Cost savings</u>	<u>A notice that any potential utility savings associated with the Measures financed by the Program are not guaranteed, and will not reduce the assessment payments or total assessment amount.</u>

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~~2.4. Confirmation of Terms. For all Program financing applications associated with contractors that are either new to the Program or are on a Partner's "watch list" (i.e. those 2.4. contractors that are not "Top Rated Contractors" defined below), it is the policy Before the assessment contract can be signed, at least one owner of the Program that such Partner property must confirm live by telephone with the homeowner applicant each Partner the key terms and information related to the project. The requirements for this telephone call are set forth in Streets and Highway Code 5913.~~

~~Program financing term listed in (b) (h) of this Section 2.4 below. These confirmation requirements do not apply to contractors who have reached the Partner's top rating category (the "Top Rated Contractors"). For Top Rated Contractors, it is the policy of the Program that the Partner conduct randomized calls to homeowners to confirm financing terms.~~

~~Notwithstanding the above, irrespective of the contractor with whom the Program financing is associated, it is the policy of the Program that the Partners confirm live by telephone for each applicant who is over 64 years old the Program financing terms listed in (a) (h) of this Section 2.4 below, and any other special categories of homeowners as designated by the Program. For avoidance of doubt, for homeowners over 64 years old, a voicemail message does not satisfy the requirement of Program financing term confirmation under this Section 2.4.~~

~~When confirming terms of a Program financing with a homeowner, the Partners will request the homeowner to describe generally the improvement(s) being financed using the Program financing, and will ascertain that the homeowner understands:~~

- ~~(a) The reason for the specific improvement(s) being obtained by such homeowner.~~
- ~~(b) His or her total estimated annual payment.~~
- ~~(c) The date his or her first tax payment will be due.~~
- ~~(d) The term of the Program financing.~~
- ~~(e) Any additional fees (including recording fees) that will be charged to him or her.~~
- ~~(f) That payments for the Program financing will be added to his or her property tax bill and will cause the property tax bill to increase.~~
- ~~(g) That he or she may make payments on the Program financing either directly to the county assessor's office or through his or her mortgage impound account.~~
- ~~(h) That before any assessment contract or application (the "Pending Project") is executed, the Partner has asked and the homeowner has confirmed that no Measures other than the Pending Project are underway, and has agreed, at any time before funding of the Pending Project, to inform Partner if homeowner has authorized any new Measures.~~

~~2.5. 2.5-Electronic Document Delivery. If any disclosures, assessment contracts, or other~~

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documents are provided or approved electronically, they must be provided and approved in compliance with California's Uniform Electronic Transaction Act (UETA) or the federal Electronic Signatures in Global and National Commerce (E-SIGN) Act, as applicable. Partners shall, at a minimum, comply with the provisions contained in sections 1620.06 and 1620.07(b)(2) of the DFPI regulations relating to electronic document delivery and approval. During the confirmation of terms call, the Partner shall confirm that the property owner has access to the internet and agrees to accept the documents at an electronic mail address of the property owner's choosing.

2.6. Lender Disclosure Policy. — For all program financing contracts, a notification must be sent to all lenders of record outlining the key terms of the project to be undertaken on the Property. This notification shall be transmitted by the partner on behalf of, and with the consent of, the Property Owner.

2.7. Language Disclosure. When an application for program financing is submitted, the Partner shall communicate in the same language as the application with the property owner. During the confirmation of terms call, the Partner shall confirm with the property owner their preferred language. . If the language is other than English, the Partner shall provide translation of all program documents and oral confirmation calls in accordance with Streets and Highways Code section 5913.

2.8. Completion of Project. Before signing for completion of the project, and prior to any final payment being made to the contractor, at least one owner of the property must confirm live by telephone with the Partner each of the of the eligible improvements financed, including any which were added during the course of the project, the total amount to be paid to the contractor and the total final amount financed under their finance contract.

3. FUNDING

Policy Summary: PACE is a new form of financing that, while sharing some features of traditional financing, presents new considerations for financing capital sources and structures. Best practices counsel the Program to The Partner shall proactively solicit feedback from Program stakeholders and homeowners- and incorporate things learned into policy improvements which benefit homeowners.

3.1. Interest Rates. It is the policy of the Program that Partners **must** offer fixed simple interest rates and payments that, whether they are level or vary over the term of financing, fully amortize the obligation. Variable interest rates or negative amortization

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financing terms are not permitted.

3.2. **Sustainable Funding Source.** It is the policy of the Program that Partners **must** establish a sustainable source of capital for funding PACE projects separate from the Authority's **general fund/funds** or budget and have access to capital markets to ensure funding for qualified projects is available on a consistent basis. A Partner **must** demonstrate the capacity to fund assessments that the Program and Partner anticipate originating through such Partner over a six (6) month period immediately following the Program's review of such Partner's financial statements.

3.3. **Subordination.** For Programs in states with senior lien PACE statutes, -a- Program and/or its Partners may accommodate owners of PACE assessed homes and prospective buyers of such homes by offering to subordinate certain of its/their rights derived from the PACE assessment lien to the lien of a mortgage or deed of trust. The subordination may provide the lien under a mortgage or deed of trust with senior rights such that the lender will be induced to provide a mortgage loan on a PACE-assessed property. The subordination option may be made available to homebuyers and homeowners in accordance with policy agreed upon by the PACE Program and the Partner.

3.4. **Contractor Fees.** It is the policy of the Program that Partners can only charge fees to contractors offering Program financing as long as Partners (i) clearly and conspicuously disclose such fees to homeowners and (ii) require that contractors absorb such obligations and not pass such fees on to homeowners.

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4. OPERATIONS

Policy Summary: Operations refers to the staff, procedures, and systems that Partners use to deliver the Program to homeowners and provide them with ongoing support. For Partners, operational competence rests on the ability to perform well in a range of areas and disciplines, such as accounting, finance, capital markets, risk assessment, legal, compliance, government affairs, municipal engagement, training, marketing and sales, contractor engagement, business development, and corporate development. ~~While each operating unit component of the Program incorporates thoughtful and highly effective consumer protections in the work it produces,~~ Operations is the gatekeeper, responsible for assuring that the Program has the people, processes, tools and technology necessary to deliver to homeowners the Program financing product, as well as the consumer protections described in these Policies.

4.1. Operational Consumer Protection Policies. ~~This is the policy of the~~ Program ~~and~~

~~that~~ Partners ~~will~~ shall provide, people and develop processes, tools and technology necessary to support the consumer protection measures described in detail elsewhere in this policy, including: (i) risk and underwriting processes; (ii) terms and documentation delivery systems; (iii) documentation, maintenance and retrieval processes; (iv) disclosure development, delivery and acknowledgment receipt; (v) post-funding support for homeowners and other stakeholders such as real estate professionals; (vi) data security measures; (vii) privacy policy development and protections; (viii) marketing and communication oversight; (ix) protected class data and communication processes; (x) contractor management and engagement; (xi) eligible product database and/or list development and maintenance; (xii) implementation of the maximum financing amounts; (xiii) key metrics reporting; (xiv) closing and funding processes (including the ability to fulfill financing obligations); (xv) examination data production; and (xvi) implementation of procedures to identify and prohibit conflicts of interest within and associated with the Program.

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4.2. Each partner shall enroll in, and meet all requirements of, the Property Assessed Clean Energy Loss Reserve Program administered by the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA). Where CAEATFA requirements conflict with state laws, state law shall apply. Partners shall provide the Authority with copies of all semi-annual reports submitted to CAEATFA.

5. POST-FUNDING HOMEOWNER SUPPORT

Policy Summary: A public/private partnership is at the core of the Program. This partnership carries with it elevated consumer protection responsibilities that apply to the Program with as much significance during the post-funding period as they do during the time of application and origination. ~~Establishing and operating~~ Requiring Partners to establish and operate an executive office responsible for customer care that responds to inquiries, complaints, contractor and workmanship concerns, product performance questions and related matters for the lifecycle of the improvements financed is fundamental to the consumer protections that the Program provides.

5.1. **Proactive Engagement.** It is the policy of the Program that ~~the Program and its~~ Partners shall proactively monitor and test the consumer protections delivered to homeowners, and to request feedback from homeowners and contractors to identify areas in need of improvement.

5.2. **Onboarding.** It is the policy of the Program that Partners shall develop and implement a post-installation onboarding procedure for homeowners to reinforce key characteristics of the Program, such as those highlighted in the Program disclosures.

5.3. **Payments.** It is the policy of the Program that each Partner shall have ~~disclosures and~~ resources ~~in place~~ readily available to resolve any homeowner questions regarding payments. The Program requires that each Partner implement procedures for responding to requests for prepayment of their PACE property tax assessment in a timely and complete manner, matters regarding impound account catch up payments, payment timing inquiries and payment amount reconciliation among others.

5.4. **Inquiries and Complaints.** It is the policy of the Program that its Partners shall receive, manage, track, timely resolve, and report on all inquiries and complaints from homeowners. This policy ~~contemplates~~ requires that Partners have an ability to perform inspections, meet with homeowners and contractors, investigate matters, and mediate resolutions with homeowners and contractors. Partners must proactively work to resolve

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GSFA Residential PACE Consumer Protection Policies
August 17, 2016

inquiries and complaints in a reasonable and timely manner and in accordance with the Program guidelines and must make communication for homeowners available during regular business hours by phone, email and facsimile communication. Partners will also maintain inquiry and complaint processes as required by state law. Such inquiry and complaint processes, including any changes thereto, shall be submitted to the Authority for review.

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5.5. **Real Estate Transactions**. It is the Program's policy that Partners shall develop capabilities to assist homeowners who are refinancing or selling their Properties. The Partner must support real estate professionals providing services to refinance and sales transactions for properties with PACE assessments.

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6. DATA SECURITY

Policy Summary: Trust is fundamental to any financing relationship, and Program financing is no exception. The public/private partnership at the center of the Program, as well as the confidential relationship homeowners have with a Program Partner mandate that any market-ready Program be in robust compliance with sturdy cyber-security standards, and in particular develop secure and tested processes that protect homeowner personal identifiable information at points of potential vulnerability, especially during the application process.

6.1. Information Systems. It is the policy of the Program that each Partner develop and comply with secure and tested processes to protect the personal identifiable information of the homeowner described in Section 7 below. Security policies and practices utilized are to, at a minimum, comply with all applicable government laws and regulations for the protection of personal data and information as well as remain current with applicable industry standards. Security measures and practices, including but not limited to those listed below, are subject to audit as directed by the Authority.

6.1. Information Systems. Each Partner is required to develop and comply with secure and tested processes to protect the personal identifiable information of the homeowner described in Section 7 below, including:

- 6.1.1. A cyber-security policy and protocol that, at a minimum, requires data encryption “during transmission” and “at rest,” and compliance with sturdy cyber-security standards.
- 6.1.2. A protocol for access to information based upon job function and need-to-know criteria.
- 6.1.3. Measures that protect the security and confidentiality of consumer records and information, including, without limitation, requiring all computers and other devices containing any confidential consumer information to have all drives encrypted with industry standard encryption software.
- 6.1.4. Monitoring and logging all remote access to its systems, whether through VPN or other means.
- 6.1.5. Data security policies that are subject to auditing and penetration testing conducted by an independent auditor hired by the Partner and approved by the Authority at least annually and. Such audits shall be conducted upon request of the Authority, made not more than once per calendar year, and any time a change is made that may have any potential material impact on the servers, security policies or user rights. Copies of all audit reports shall be provided to the Authority upon

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6.1.6. Ensuring minimum viable configurations are in place on all servers. All firewalls should have continuous logging enabled. In addition, access control lists and audited server configurations should be used to ensure that data security is maintained.

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~~Security policies and practices utilized are to, at a minimum, comply with all applicable government laws and regulations for the protection of personal data and information as well as remain current with applicable industry standards. Security measures and practices are subject to audit as directed by the Authority.~~

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6.2. Personnel. Each partner is responsible for:

6.2.1. Informing and enforcing compliance with the Program's data privacy and security policies on the part of every employee, contractor, vendor, agent, service provider, representative, and associate who is exposed to personal identifiable information of homeowners.

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~~6.2.2. Implementing protections and controls to prevent unauthorized copying, disclosure, or other misuse of sensitive consumer information.~~

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7. PRIVACY

Policy Summary: The trusting and confidential relationship that exists between homeowners and the Program extends to the Partners' use of homeowner data. Compliance with the Gramm-Leach-Bliley Act as well as the establishment of clear opt-in and opt-out protocols for information sharing are the pillars of the Program's privacy policy. More broadly, the Program must ensure that Partners protect and manage sensitive consumer information, respect the privacy of all homeowners, and implement robust controls to prevent unauthorized collection, use and disclosure of such information. These protections are subject to the limitation that property owner names, property address, special tax or assessment amount, payment amount and other terms of the PACE financing are public information consistent with property tax law.

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7.1. Privacy Policy. The Program obtains sensitive personal identifiable information (e.g., full name, home address, social security number, date of birth) from homeowners as part of the Program application process or through other homeowner touch points with the Program. It is the Program's policy that each Partner shall develop and deliver to homeowners prior to receipt of such personal identifiable information, a privacy policy that complies with state and federal law (e.g., the Gramm-Leach-Bliley Act). The privacy

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policy must expressly prohibit sharing personal identifiable information with third parties without the homeowners' express authorization except where expressly permitted by state and federal law. Such privacy policy will cover (i) the sources from which sensitive consumer information is obtained, (ii) the Partner's use of sensitive consumer information, and (iii) a mechanism by which a consumer may opt-out of sharing information. The Partner will deliver to homeowners any updates to such privacy policies.

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7.2. Application Process. It is the policy of the Program that all personal identifying information provided by a homeowner to a Partner during the application process is provided directly by the homeowner to the Partner. The Partners will establish processes and controls to ensure that personal identifiable information of a homeowner is obtained directly from such homeowner (or his verifiable their documented legal representative or attorney in fact) and not from a contractor or other third party. Neither the contractor nor any Affiliated Individual may act as the homeowner's legal representative or attorney in fact.

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8. MARKETING & COMMUNICATIONS

Policy Summary: Clear, informative, truthful, balanced, transparent and complete communications are essential for the Program. The stakeholders of any Program include homeowners, contractors, the governing authorities, government officials and staff, investors, finance partners, real estate professionals, mortgage lenders, and its Partner(s) among others. Communications or acts and practices that mislead stakeholders, add ineligible expense to PACE financing or to the Program, abuse stakeholders, or otherwise fail to meet the core communication standards of appropriateness for the Program, are not acceptable.

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8.1. Laws and Regulations. The Program shall comply with all state laws and regulations.

8.2. Prohibited Practices. The Program prohibits Partners and contractors from engaging in practices that are or could appear to be unfair, deceptive, abusive, or misleading, violate federal or state laws or regulations, provide tax advice, or are in any way inappropriate, incomplete or inconsistent with the Program's purpose. Marketing

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8.2.1. Partners and Contractors are expressly forbidden to: (i) suggest or imply in any way that PACE is a government assistance program, (ii) suggest or imply that PACE is a free program, (iii) suggest or imply that PACE does not involve a financial obligation that the homeowner must repay, (iv) use

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Program financing, including affirmative statements or claims as to the tax deductibility of the PACE payments. Homeowners are encouraged to seek the advice of an expert regarding tax matters related to the Program. The Program Partner shall monitor and test the sales practices of employees and contractors to confirm adherence to the policy set forth in this Section 8.34.

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8.4. Payments in Exchange for Financing. — to Contractors. It is the policy of the Program that no Partner

8.5. may provide a direct cash payment, monetary incentives, gifts, or other thing of material value to a Registered Contractor or Affiliated Individual (as those parties are defined in Section 10) in exchange for or related to such contractor or Affiliated Individual's (i) signing up or continuing to work), except in strict accordance with such Partner or (ii) offering Program financing to a homeowner. For avoidance of doubt, the limitations provided in this Section 8.4 are not intended to prevent a Partner from either (A) paying for co-marketing materials that name the Partner applicable law (including, without limitation, Streets and the Registered Contractor to whom such payment is made after the Partner receives receipt(s) from the Registered Contractor evidencing the amount spent on such co-marketing or (B) providing a Registered Contractor or Affiliated Individual with other non-cash things of value that by their nature directly contribute to the value of the Program. Highways Code section 5923).

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9. PROTECTED CLASSES

Policy Summary: Each Partner must ensure compliance with all state and federal laws that cover individuals in protected classes, including those based on but not limited to race, religion, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, genetic information, marital status, sex, gender, gender identity, gender expression, age, sexual orientation, national origin, veteran or military status, citizenship, presence of children, disability, age, veteran, primary language, immigration status, participation in a public assistance program, or because an applicant has in good faith exercised any right under the Consumer Credit Protection Act. Heightened protections for homeowners over 6465 years old of age or older, such as confirming understanding of financing terms and project specifications, is a specific requirement of the Program. Unintentional non-compliance will not excuse a failure to comply with all state and federal laws regarding protected classes.

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9.1. **General.** The Program requires that Partners develop controls and methods to monitor and test compliance with all state and federal laws covering homeowners in protected classes.

9.2. **Elders.** Each Partner must develop and implement a protocol to ensure that all

homeowners ~~over 64~~65 years of age ~~or older~~ understand the purpose of each Measure for which Program financing is sought, and the terms of such financing as described in Section 2.4.

9.3. **Financing Application Access and Decisions.** It is the responsibility of the Partner to provide legally unbiased access to and decisions regarding Program participation to all applicants for Program financing.

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10. REGISTERED CONTRACTOR REQUIREMENTS

Policy Summary: Contractors and their ~~sales persons~~ salespersons are one of the primary means by which homeowners become aware of Program participation options. Contractors and their ~~sales persons~~ salespersons enter into contracts with a Partner, and register with all relevant state and local licensing boards and agencies. Partner shall require that Contractors are required to complete training courses, follow a code of conduct, maintain

insurance, post bonds, follow marketing requirements, among other obligations, all of which are designed to assure positive and productive homeowner interaction with the Program. In California, all contractor companies who will offer PACE must enroll with the DFPI through the Program Administrators. These are known as "PACE Solicitors", and their individual salespeople who will be discussing the financing with the property owner (referred to as "PACE Solicitor Agents") must also enroll with the with the DFPI through the Program Administrator. It is against the law to solicit residential PACE financing without enrolling as a PACE Solicitor and/or PACE Solicitor Agent.

In addition to the Contractor policies listed below, all Contractors who wish to sell Program financing to homeowners must enroll as Solicitors and/or Agents. Partners shall perform enrollment, monitoring, and termination for Solicitors and Agents in accordance with State requirements in addition to meeting the requirements below.

10.1. **Policies.** It is the policy of the Program that all contractors who sell, install, or manage subcontractors who install eligible Measures will have become "Registered Contractors" ~~with the Program.~~ (may be referred to as "authorized contractors") with the Program. The

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Partner shall be responsible for all aspects of enrollment, monitoring, and termination of Registered Contractors, Registered Contractors and all of their employees, entities, owners, partners, principals, and sub- contractors (collectively, the “Affiliated Individuals”) must meet the requirements of the Program, which include:

~~10.1.1. Compliance with any relevant state contractor code of conduct, attached hereto as Attachment B;~~

10.1.1. Compliance with the Program’s Contractor Participation Agreement with the Partner, which shall be developed and periodically updated by the Partner. The Contractor Participation Agreement, including any changes thereto, shall be submitted to the Authority for review.

10.1.2. Maintenance of an active license, and being in good standing, with any relevant state licensing board, as well as maintenance of insurance and an ability to meet bonding requirements;

10.1.3. Oversight and management of employees, independent contractors, and subcontractors who provide services to Registered Contractors accessing the Program;

~~10.1.4. Meeting all other state and local licensing, training and permitting requirements;~~

10.1.5. Compliance with the Program’s marketing policies; and

~~10.1.6. Ensuring all Affiliated Individuals register with the Program, including 10.1.6. completing the Program’s identity verification procedures.~~

10.1.7. Contractors shall confirm that they have read these Consumer Protection Policies.

~~10.2. New Contractors.~~ Regarding Registered Contractors new to the Program, it is the

10.2. policy that the Partner:

10.2.1. ~~Has a specified probationary period (i.e., place the new Registered Contractors on a watch list) until the new Registered Contractors have completed the required number of Measures;~~

10.2.2. ~~Has procedures in place, during the Registered Contractor probationary period, to provide additional quality assurance steps for Measures completed by the Registered Contractors on the watch list; and~~

10.2.3. Has procedures in place to review Registered Contractor work to confirm satisfactory completion of projects conducted during the probationary period

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10.2.4. Have procedures in place requiring each Registered Contractor to identify one or more authorized representatives with authority to act on behalf of the contractor.

10.2.5. Have procedures in place to verify the ownership of any account(s) to which contractor payments will be submitted and any changes to such accounts.

10.2.6. Have procedures in place for requiring that each Registered Contractor use a home improvement contract which complies with all applicable laws and regulations and that the Registered Contractor submit a copy to the Partner upon request.

103. **Contractor Management.** It is the policy of the Program that the Partner implement contractor management systems and procedures that manage and track contractor training, homeowner complaints, and compliance violations on an individual and company basis. The Partner will maintain and implement a policy that requires all contractors be reviewed for compliance and risk criteria on an ongoing basis. This policy and the associated compliance and risk criteria, including any changes thereto, shall be submitted to the Authority for review.

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104. **Contractor Training.** ~~In addition to any training required by state law, it~~ is the policy of the Program that each Partner make available contractor training regarding, at a minimum, the following: (i) the applicable contractor code of conduct terms as required by the Program, (ii) protected classes, including, without limitation, elder protection, and (iii) other consumer protection measures as required by the Program.

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105. **Remedial Action.** ~~Following its reasonable due process procedure, Partners may will~~ warn, suspend ~~or~~ terminate ~~or take other appropriate action with respect to a Registered Contractor and/or Affiliated Individual from the Program~~ based on violations of ~~these policies or at the discretion of the any~~ Program requirements, in accordance with documented procedures. ~~Each Partner in the best interest~~ must implement processes for the review and documentation of alleged violation(s) of ~~homeowners a~~ Registered Contractor ~~and the Program~~, if applicable, the suspension and/or termination of such Registered Contractor ("Disciplined Contractor"). ~~The Program does not accept Program applications processed provided by suspended or terminated contractors and/or associated representatives that the Program terminated in accordance with this Section 10.5.~~

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11. ELIGIBLE PRODUCTS

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Policy Summary: The Program enables and encourages homeowners to install Measures which are permissible under state law and designed to save energy or water, generate renewable energy, or produce other public benefit (e.g., seismic retrofits, or fire resiliency). The Program Partner is responsible for implementing practices and controls (e.g., eligible product databases and product confirmation processes) to ensure that Program financing is used only for eligible Measures, and that it is not provided for ineligible ones. Program product eligibility criteria ensure that property owners are financing improvements which are industry recognized for achieving higher levels of home energy or water efficiency, renewable energy generation, seismic retrofits, wildfire safety improvements, or other, state specific approved Measures. While the Program Partner is responsible for confirming compliance with the initial capacities of such products, it is not responsible for determining post-installation energy performance, savings or efficacy of such Measures.

- 11.1. **Policies.** Consistent with the objectives of the PACE enabling legislation, it is the policy of the Program through consultation with the Partner and shall do all of the following, subject to approval of the Authority to:
- 11.1.1. Establish and maintain a publicly available eligible products database and/or list, documenting the associated eligibility specifications for each product that conform to the requirements outlined in Attachment C hereto the Partner's California Residential Qualifying Improvements List. The List, including any changes thereto, shall be submitted to and approved by the Authority;
 - 11.1.2. Define a process for adding to or modifying the eligible product database and/or list, which shall include making any changes directed by the Authority;
 - 11.1.3. Ensure that eligible product energy efficiency/water efficiency/energy generation (as applicable) performance standards are calibrated and verified using performance criteria that the U.S. Department of Energy, U.S. Environmental Protection Agency, and/or other federal and state agencies, or other reputable parties have established;
 - 11.1.4. Use credible third party sources to determine the useful life of each installed product, which will be used to set the maximum term for financing from the Program; and
 - 11.1.5. Require that each product is permanently affixed to the Property.
- 11.2. **Procedures.** It is the policy of the Program that the Partner must establish procedures confirming that the homeowner applying for Program financing intends to install/verify eligible products, and that at the time of funding such improvements

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have been installed. Measures as follows:

11.2.1. Before providing a Contractor with the notice to proceed, confirm that the Measures scheduled to be installed using Program financing comprise only items appearing on the eligible products database or list.

11.2.2. Confirm that at the time of final funding such improvements have been installed.

11.3. **Ineligible Products.**

- 11.3.1. Financing of ineligible products under the Program is prohibited.
- 11.3.2. Products that are not included on the eligible products list or in the eligible products database can be submitted for review by the Program Partner, if a homeowner has reason to believe they should have been included. Such requests will be processed in accordance with Section 11.1.2.

12. MAXIMUM FINANCING AMOUNT

Policy Summary: Many homeowners cannot readily access price information regarding the installation of energy efficiency, renewable energy and water conservation improvements for their homes, and cost often is a key economic consideration. While the Program does not set price controls, it implements procedures to monitor conformance with generally accepted market pricing ranges.

The Program's maximum financing amount policies provide as follows:

- 12.1. It is the policy of the Program that Partners shall develop generally accepted market pricing ranges based on market data and each Partner's experience, but not to set pricing for installation of eligible products and projects. In evaluating project pricing, the Partner takes into account regional factors that may contribute to the pricing of improvements.
- 12.2. It is the policy of the Program that each Partner will, at a minimum, establish generally accepted market pricing ranges for each product type (e.g. for central air conditioners, solar PV systems, solar thermal systems and artificial turf) and maintain pricing controls to ensure such pricing falls within reasonable market range. The Partner's guidelines for establishing such market pricing ranges, including any changes thereto, shall be submitted to the Authority for review.
- 12.3. There is a low to high range of justifiable pricing, depending on the particular product within a product type (e.g. there may be different types of central air conditioners,

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solar PV systems, solar thermal systems and artificial turf). It is the policy of the Program that each Partner will establish product/project attribute related pricing rules, consistent with and in consideration of the key product pricing attributes that dictate what pricing within such low to high range is justified. The product/project attribute related pricing rules, including any changes thereto, shall be submitted to the Authority for review.

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12.4. It is the policy of the Program that each Partner must establish processes and systems for purposes of enforcing the generally accepted market pricing ranges (as described in Section 12.3) for every project.

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12.5. A product may only be funded for an amount that is justified by reasonable standards that are validated and documented through processes and systems acceptable to the Authority.

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12.6. A Registered Contractor may not provide a different price for a project financed under the Program than the contractor would provide if paid in cash by the property owner.

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12.7. The Program will comply with all statutory and regulatory requirements related to eligible pricing as applicable.

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13. REPORTING

Policy Summary: Reporting the economic and environmental results of Program participation is essential for the Program, Partners, elected officials, environmental agencies, the investment community, the real estate and mortgage industry and many other stakeholders. Metrics such as economic stimulus dollars invested, greenhouse gas reduction, the number of Measures funded, the amounts funded, renewable energy production and energy & water savings serve this need. The Partner is responsible for producing, on a quarterly basis, a key metrics report.

13.1. **Reporting Categories.** In addition to any reporting requirements established by law, including but not limited to Streets and Highways Code section 5954, it is the policy of the Program that Program statistics, reporting and estimated impact metrics in the following categories be developed and reported quarterly to the Authority: (i) number of projects funded, (ii) project amount funded, (iii) estimated amount of energy savings, (iv) estimated amount of renewable energy produced, (v) estimated amount of water savings, (vi) estimated amount of greenhouse gas emissions reductions, (vii) seismic safety improvements installed and (viii) estimated economic stimulus and number of jobs created.

13.2. **Reporting Standards.** It is the policy of the Program that all data collected for the quarterly metrics reports be developed and collected using standardized, third party verified methodologies satisfactory to the Authority. The methodologies and supporting assumptions and/or sources must be made available to the Authority by the Partner. It is the responsibility of the Partner to develop reports consistent with each of the categories listed above and to test and verify the data collection and reporting methods and models used. All reports shall include only aggregate data, excluding any sensitive customer information.

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14. CLOSING & FUNDING

Policy Summary: The Program provides limited purpose financing to homeowners, and not general purpose financing that is common among traditional sources of financing. The Program has front-end (e.g., eligible ~~product call in~~ Measure verification requirements) and pre-funding (e.g., completion, certificates and permits) procedures designed to confirm that their financing dollars are used for permissible purposes. A policy requiring such procedures is essential to protect the integrity of the Program.

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14.1. **Installation Completion Sign-off.** ~~In addition to any requirements established by state or federal law, it~~ is the policy of the Program ~~to that the Partner must~~ confirm, before funding, that the eligible products financed are installed and operational ~~and in a condition that is acceptable to the homeowner and the contractor,~~ and to require that the homeowner and the contractor attest to such by signing a document stating that all products have been installed ~~to the homeowner's satisfaction and~~ in accordance with product specifications. It is the responsibility of the Partner to confirm any such document is signed within the maximum allowable installation time as specified by the Program.

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14.2. **Permits.** It is the policy of the Program for homeowners seeking Program financing to obtain required permits for the installation of Measures and provide verification thereof upon request. Each permit must be signed off by the issuing authority as evidence of project completion.

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14.3. **Funding.** It is the policy of the Program to disburse funds only for specified phased payments or progress payments for completed phases, or for projects that are fully completed.

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14.4. **Recording.** It is the policy of the Program to record the Notice of ~~Assessment and Payment of Special Tax/Contractual Assessment Required documentation Lien~~ in a manner consistent with state law.

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14.5. **Asset verification.** It is the policy of the Program ~~to that Partners shall~~ confirm that

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product(s) listed on the Completion Certificate and for which Program financing has been provided have been installed ~~including using proof consisting of one of the following:~~ proof of completion by geolocated photos, verification of final building permits, inspection by the City or County Inspector, or inspection by other third-party inspector and that the approved by the Authority. Geolocated photos used for asset verification shall be submitted to the Partner through a secure system that incorporates measures to ensure the authenticity of the image and its location. The Partner shall further develop and implement a randomized audit protocol which shall annually review at least 5% of all projects financed by the program that year. Audits shall include, at a minimum, permit validation, project file review, and contractor account level review, and may include onsite inspection if indicated by risk criteria set forth in the protocol acceptable. The protocol, including any changes thereto, shall be submitted to and approved by the Authority.

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To: Members of the GSFA Executive Committee
From: Barbara Hayes, Chief Economic Development Officer
Date: November 2, 2021
Re: Broadband Program Update

SUMMARY

To advance the investment and delivery of robust broadband to rural California the Board of Directors has approved a plan of work that is divided into three levels. An update on the GSFA broadband program of work will include:

Level One: Foundational Readiness

Level One is designed to assist member counties in achieving “foundational readiness” relative to accessing and inviting broadband investment into counties in a strategic manner that ultimately delivers broadband for all residents and businesses. This level of work includes arming all member counties who do not currently have a Broadband Strategic Plan, with the opportunity for development of such a plan. Broadband Strategic Plans are required to access many federal sources of funding for broadband deployment. Additionally, Broadband Strategic Plans will allow local governments to be informed and deliberate when directing and permitting investment by incumbent service providers.

- Grant application submitted to US Department of Commerce Economic Development Administration on September 3, 2021. Currently under review.

Level Two: Information and Resources About Innovative

Level Two is directed to all RCRC member counties and includes information-sharing and capacity-building that will result in increased awareness and involvement of local governments in broadband investment and access for their residents and businesses. Information on best practices and unique approaches employed by member counties and municipal broadband providers across the US will be shared via webinars and documents.

- Member of Fiber Broadband Association and member of the Association’s Public Officials Working Group.
- At direction of Broadband Steering Committee, a concise, dynamic resource document that illustrates sources of broadband funding (and associated dollars,

deadlines, and eligibility), organizations involved, and glossary of terms will be developed.

- Current landing page for Golden State Connect Authority (www.goldenstateconnect.org) will be expanded with development of complete website – anticipated launch December 2021.
- ESRI has been engaged for purpose of utilizing GIS mapping tool for broadband program of work.

Level Three: Demonstration Project(s)

Level Three involves the launching of Demonstration Project(s) modeled on an open-access, public-benefit, municipal model. The Demonstration Project area(s) would be selected based on business modeling that includes, among many components: address density, geology/geography, demographics, existing service being provided, broadband infrastructure partners, and local government support.

The Demonstration Project(s) would require the establishment of a new entity that would be comprised of and led by county governments. The new entity would bring resources and partnerships that would be unique to broadband deployment in California.

- RCRC Board approved the formation of Golden State Connect Authority, a Joint Powers Authority under which will fall broadband-related work - August 18, 2021
- Invitation to join Golden State Connect Authority extended to all RCRC member counties – September 7, 2021. (Requested to review and return executed JPA documents by October 15, 2021.)
- Continued evaluation of Demonstration Project areas
- Continued conversations with potential broadband partners
- Staff invited to serve on key advisory boards



To: Members of the GSFA Board of Directors
From: Barbara Hayes, Chief Economic Development Officer
Date: November 2, 2021
Re: Community Economic Resilience Fund (CERF)

SUMMARY

AB 162, Community Economic Resilience Fund (CERF) Program was signed by the Governor in September and is currently moving through an accelerated rule-making process. The program makes available \$600 million for regional planning and associated project implementation and will be jointly overseen by the Labor and Workforce Agency, Governor's Office of Planning and Research and Governor's Office of Business and Economic Development.

CERF Program Vision:

- Promote a sustainable and equitable recovery from the economic distress of COVID-19 by supporting new plans and strategies to diversify local economies and develop sustainable industries that create high-quality, broadly accessible jobs.
- Support communities and regional groups in producing regional roadmaps for economic recovery.
- Align and leverage state investments (High Road Training Partnerships, infrastructure investments, community capacity building programs), federal investments (EDA Building Back Better Regional Challenge, infrastructure investments), and philanthropic and private-sector investments to maximize recovery efforts.

Phase 1 - Regional Planning Grants - \$65-\$75 Million

The state will be divided into 13-15 regions. Each region will receive \$5 million for regional planning, which shall include:

1. Development of localized integrated recovery and transition plans with actionable research and consultation from expert institutions.
2. Creation of holistic investment strategy that addresses disproportionate impacts of COVID-19 by diversifying the economy. Strategies should complement or expand on plans such as Comprehensive Economic Development Strategies (CEDS).
3. Embedded local coordinator to facilitate ongoing engagement, partnership, and relationship-building activities with stakeholders.

Phase 2 – Regional Implementation Grants - +\$500 Million

Projects in Phase 1 will be eligible for funding in Phase 2.

Regional collaboratives should be inclusive planning groups that include representation from key stakeholder groups. Those groups that are eligible to apply include:

- Non-profit organizations
- District organizations of an EDA-designated Economic Development District
- Higher education institution or consortium of higher education institutions
- Indian Tribe or consortium of Indian Tribes

Key dates:

Late November 2021	Draft guidelines for Planning Grants released
December 2021	Informational webinar
January 2022	Planning Grant solicitation released
February 2022	Draft guidelines for Implementation Grants released
March 2022	Planning Grant finalists selected and grants awarded
June 2022	Implementation Grant solicitation released
October 2022	Begin awarding Implementation Grants
June 2024	Funds must be encumbered
October 206	Funds must be expended

RECOMMENDATION

While local governments are not currently included in the eligible list of organizations that can lead a regional collaborative, they must be included in the regional collaborative as a key stakeholder. Be aware of which organization is leading your regional collaborative and ensure county leadership (elected, CAO, planning, economic development) is involved.

Identify and champion key projects that may have long-term regional impact on your economic development efforts, particularly those that may be included in Comprehensive Economic Development Strategy (CEDS). In addition, consider:

- Broadband – particularly in areas where utility undergrounding is occurring
- Economic development-related infrastructure investment
- Innovative biomass utilization projects (where appropriate)

Attachments

- Community Economic Resilience Fund Overview
- Map of Proposed Regions

COMMUNITY ECONOMIC RESILIENCE FUND (CERF)

VISION

- Promote a sustainable and equitable recovery from the economic distress of COVID-19 by supporting new plans and strategies to diversify local economies and develop sustainable industries that create high-quality, broadly accessible jobs for all Californians.
- Support communities and regional groups in producing regional roadmaps for economic recovery and transition that prioritize the creation of accessible, high-quality jobs in sustainable industries.
- Align and leverage state investments (e.g., High Road Training Partnerships, infrastructure investments, community capacity building programs), federal investments (e.g., Economic Development Administration's Building Back Better Regional Challenge), and philanthropic and private-sector investments to maximize recovery efforts.

WHAT DOES CERF FUND?

1. **Regional Planning Grants** (13 regional collaboratives*, \$5M each):
 - a. Development of localized integrated recovery and transition plans, including analysis of industry sectors and labor markets, with actionable research and consultation from expert institutions.
 - b. Embedded local coordinator to facilitate ongoing engagement, partnership, and relationship-building activities with business, labor, community, government, education, economic development, and other key stakeholder groups.
 - c. Creation of holistic investment strategy that addresses disproportionate impacts of COVID-19 by diversifying the economy, and developing or growing sustainable industries that create accessible, well-paying jobs. Strategies should complement or expand on plans such as Comprehensive Economic Development Strategies (CEDS).
2. **Regional Implementation Grants** (Approximately \$500M total):
 - a. Support economic recovery and transition for populations and/or industries disproportionately impacted by COVID-19.
 - b. Promote economic diversification, sustainability, and equity. Drive the growth of globally competitive, sustainable industries with well-paying, accessible jobs. Bolster equity outcomes by race, ethnicity, gender, and geography.
 - c. Example projects include, but are not limited to, the following:

- i. Infrastructure that supports economic diversification and the development of sustainable industries.
- ii. Entrepreneurship and commercialization programs.
- iii. Programs to connect small-and-minority owned businesses to industrial hubs and research institutions.

*Regional collaboratives are inclusive planning groups that include representation from balanced representation from labor, business, community, government, indigenous communities, economic development, philanthropy, education, workforce, and other partners.

WHO IS ELIGIBLE TO APPLY?

- Non-profit organizations, District Organization of an EDA-designated Economic Development District (EDD), Institution of higher education or a consortium of institutions of higher education, and Indian Tribe or a consortium of Indian Tribes.
- *More detail is forthcoming in November 2021 draft guidelines.*

TIMELINE

Late October 2021	Release of proposed regions for public comment
Late November 2021	Draft guidelines for Planning Grants released for public comment
December 2021	Informational webinar for interested parties
January 2022	Planning Grant solicitation released
February 2022	Draft guidelines for implementation grants released
March 2022	Planning Grant finalists selected and grants awarded
June 2022	Implementation grant solicitation released
October 2022	Begin awarding implementation grants
June 2024*	Funds must be encumbered
October 2026*	Funds must be expended

*Contract terms will be negotiated at the time of award.

WHAT DOES SUCCESS LOOK LIKE?

- **Planning phase** – Inclusive, diverse, transparent, and accountable regional planning that results in a holistic strategy and recommended series of investments to recover from COVID-19, grow sustainable industries, diversify regional economies, and increase access to high quality jobs.
- **Implementation phase** – Implementation strategies that advance globally competitive and sustainable industries and high-quality jobs with clear employment pathways for underserved and incumbent workers facing industry disruption after COVID-19.

RESOURCES

- [SB-162 Community Economic Resilience Fund Program](#)

Community Economic Resilience Fund Program (CERF)

Proposed Economic Regions for High Road Transition
Planning Grants: Released for Public Comment



Summary

This memo identifies thirteen economic regions of California for the purposes of disbursing ~\$65 million in High Road¹ Transition Planning Grants as part of the Community Economic Resilience Fund Program (CERF). The planning phase will lead locally-led implementation efforts to recover from COVID-19, by diversifying local economies and developing new, sustainable industries with high-quality, broadly accessible jobs. Thirteen regions were selected based on a two-part process. First, we leveraged analysis from the state’s Labor Market Information Division that grouped locales using factors such as commute patterns and labor market data. Next, we considered four additional factors: (1) connections to existing definitions of regions in California, (2) relative size of population, (3) geographic scale and size, and (4) industry mix and economic relationships. Based on this methodology, the team has developed a provisional list of thirteen CERF regions for the purposes of distributing planning grants.

The program design will allow for flexibility to conduct economic analysis at a larger geographic scale, including economic flows between different regions. In other words, regions will be able to work together on plans as appropriate. Implementation grants will allow for projects that cross regional boundaries.

This memo provides our initial determinations of the thirteen CERF regions to allow for public comment, such as for slight modifications to these boundaries (e.g. shift a county from one region to an adjacent region). However, the state will only fund one fiscal agent and planning process per economic region.

¹ “High road” refers to a set of economic and workforce development strategies to achieve economic growth, economic equity, shared prosperity, and a clean environment. High road strategies include efforts that improve job quality and job access, including for women and people from underserved and underrepresented populations, meet the skill and needs of employers, meet the economic, social, and environmental needs of the community.

Proposed CERF Economic Regions



Phase 1: Data-Driven Analysis of California Regions by LMID

The first phase of our analysis was based on the Employment Development Department’s Labor Market Information Division’s (EDD-LMID) analysis of California’s economic regions. This data-driven analysis is based primarily on commute patterns, but includes the analysis of industry employment and labor force data to link various groupings of counties into regions. The LMID analysis and framework can be adapted to support a variety of workforce development, economic development, education, and other policy initiatives.

The conclusion of LMID’s analysis results in a total of twelve regions for California (Fig. 1). Based on LMID’s twelve regions, we have suggested thirteen regions for the High Road Transition Planning Grants to better align the regions with the CERF program goals.

Figure 1: LMID's Economic Development Strategy Region Framework



Phase 2: Proposed Changes to LMID regions for CERF Program

For the purpose of the CERF Program's High Road Transition Planning Grants, we suggest several slight modifications to the grouping of the regions recommended by LMID – combining three regions into one (Bay Area) and subdividing two large regions into smaller subregions (Northern and San Joaquin Valley). Creating subdivisions within the larger regions will not only make the planning process more manageable across a large area but also allow for more geographic equity in economic recovery investments, enabling each region to target investments for populations disproportionately impacted by COVID-19 in their economic recovery and transition plans.

Our proposed changes are as follows:

Regional-Scale Modifications

1. Establish one nine-county Bay Area Region by combining LMID's North Bay, East Bay, and Bay Peninsula-Marin regions into the "Bay Area":
 - The nine Bay Area counties have a 100 year history of collaboration that the CERF process can leverage.

- The Bay Area is regarded as a highly resourced region. For example, although less than 20% of the state’s population, the Bay Area’s nonprofits generate over 53% of total nonprofit revenues in the state. Source: [California Association of Nonprofits \(PDF\)](#).
 - There are existing regional institutions that have worked and partnered at this nine-county scale, and they have worked with subregional organizations as well. These entities include the following region’s: Metropolitan Planning Organizations (MPO)/Council of Governments, transportation planning organizations, air district (Bay Area Air Quality Management District), planning agency (Bay Area Conservation and Development Commission), and numerous NGOs and civic organizations.
 - The nine counties have several recent plans and processes to build on, including the collaboration around *American Recovery and Reinvestment Act (ARRA)*, Plan Bay Area, Bay Area Regional Prosperity Strategy, etc.
2. Divide LMID’s Northern Region into two regions: the Redwood Coast and North State:
- LMID’s Northern region is too large of a geographic area to be a single region. Splitting it into two regions allows for better connection points within the Coast and Inland region. There is also a longstanding history of collaboration amongst the Redwood Coast counties.
 - The division into two would more closely follow existing transportation corridors, including the 101 corridor and the I-5 corridor.
3. Divide LMID’s eight county San Joaquin Valley region into three regions: the Northern San Joaquin Valley, Central San Joaquin Valley, and Kern County:
- The entire San Joaquin Valley region proposed by LMID is very large and there is no existing network to support convening at that scale.
 - There is a recent history of coordination on economic growth initiatives at the smaller scale, including initiatives like Kern’s [B3K Prosperity](#), [Fresno DRIVE Initiative](#), and the emerging northern San Joaquin Valley planning process.
 - This region has fewer available resources overall, creating a greater need for additional planning funds to prepare for and succeed in various statewide competitive processes.
 - Because of key industries in this region (e.g., the oil and gas industry in Kern), there is a need to maintain more focus on the distinct economic impacts created by shifts in these regions.
 - The San Joaquin Valley region has existing venues to ensure there are connections and lessons learned across the 8 counties, so CERF does not need to play that role.

Northern San Joaquin Valley (Merced, Stanislaus, San Joaquin)

- The Northern San Joaquin Valley region is developing a regional identity through connections to both Sacramento and the Bay Area via population migration, commute patterns, and industry relationships.
- This region is different from the rest of the Valley, as it has previously been identified as a core part of the [Northern California megaregion \(PDF\)](#).

Central San Joaquin Valley (Fresno, Madera, Kings, Tulare)

- There is an existing collaborative effort to work across Fresno County. Fresno also has growing economic ties and increasing shared commute patterns with Madera and Tulare.
- The economic base across the more rural areas amongst all these counties is very similar.

Kern County

- Kern County is a very large region with both desert and valley landscape.
- It is an existing key center for the state's energy sector, housing about 80% of the oil and gas industry and a growing renewable energy market.
- The region has existing economic development processes at the county level to build on.

County-Level Modifications

4. Move Alpine County from the Sacramento region to Eastern Sierra region.
 - Alpine participates in regional planning through the EDA with the other 6 counties in the Eastern Sierra region.
5. Move Nevada County from the Sacramento region to the North State region.
 - Nevada County participates in regional planning through the EDA with the North State region.

Proposed CERF Economic Regions



Leveraging the twelve economic markets of California – identified by EDD-LMID – as an initial framework for the regional economies of California and applying the additional factors described above, we recommend establishing the below thirteen regions for the purposes of High Road Transition Planning. Each of these regions have populations and areas that have been disproportionately impacted by COVID-19, and are therefore eligible for State Fiscal Recovery Fund funding from the CERF Program.

Economic Regions	Counties
Southern Border	<ul style="list-style-type: none"> • San Diego • Imperial
Inland Empire	<ul style="list-style-type: none"> • Riverside • San Bernardino
Los Angeles County	
Orange County	
Central Coast	<ul style="list-style-type: none"> • Monterey • San Benito • Santa Barbara • Santa Cruz • San Luis Obispo • Ventura
Northern San Joaquin Valley	<ul style="list-style-type: none"> • San Joaquin • Stanislaus • Merced
Central San Joaquin Valley	<ul style="list-style-type: none"> • Madera • Fresno • Kings • Tulare
Kern County	
Eastern Sierra	<ul style="list-style-type: none"> • Alpine • Amador • Calaveras • Inyo • Mariposa • Mono • Tuolumne
Bay Area	<ul style="list-style-type: none"> • Alameda • Contra Costa • Marin • Napa • San Francisco • San Mateo • Santa Clara • Solano • Sonoma
Sacramento	<ul style="list-style-type: none"> • Colusa • El Dorado • Placer • Sacramento

Economic Regions	Counties
	<ul style="list-style-type: none">• Sutter• Yolo• Yuba
Redwood Coast	<ul style="list-style-type: none">• Del Norte• Humboldt• Mendocino• Lake
North State	<ul style="list-style-type: none">• Lassen• Modoc• Plumas• Nevada• Shasta• Sierra• Siskiyou• Trinity• Glenn• Butte• Tehama