

ITEMS #61_(PH), 65_(Regular) & 66_(Regular)

**ADDITIONAL MATERIAL
REGULAR MEETING**

JANUARY 28, 2025


**SUBMITTED AT THE REQUEST OF
OFFICE OF THE COUNTY AUDITOR**



OFFICE OF THE COUNTY AUDITOR

115 S. Andrews Avenue, Room 520 • Fort Lauderdale, Florida 33301 • 954-357-7590 • FAX 954-357-7592

Advisory No. 360

Date: January 23, 2025
To: Board of County Commissioners
From: Robert Melton, County Auditor 
Subject: January 28, 2025, Agenda, Items No. 61, 65, and 66

The intent of this memorandum is to provide you with additional information on Items No. 61, 65 and 66 on the January 28, 2025, agenda, regarding the Property Assessed Clean Energy Program (PACE). To assist the Board in their considerations, my Office has gathered information regarding the number of PACE assessments collected in Broward County and specific details of a limited sample of recent PACE assessments we reviewed.

Our Office is not taking a position regarding the PACE program overall; our goal is simply to provide information to the Board that may not be readily known. However, on page 12 of this memorandum, we have included some additional consumer protections/operational controls which could be considered, if the Board desires, to help ensure the PACE program operates as intended and residents are able to make more informed decisions regarding qualifying improvements and financing agreements.

Background:

In 2016, the Board of County Commissioners approved the Broward County Property Assessed Clean Energy Act, allowing the PACE program to operate in Broward County. The PACE program allows property owners to finance energy-efficiency related repairs and/or improvements via non-ad valorem property assessments, which are added to the annual property tax bill.

Effective July 1, 2024, the Florida State Legislature enacted updates to *Florida Statutes*, Sections 168.03-163.07 (Statutes), which govern the PACE program. These updates include additional program requirements regarding financing arrangements and eligibility requirements, and program standards. Within Broward County, on October 8, 2024, the Board approved updates to the PACE Act and Ordinance (Ordinance), effective January 31, 2025, which incorporate and expand upon statutory requirements.

PACE Program in Broward County

The PACE program has significantly grown in use since its inception nine years ago. Based upon analyses completed by the Resilient Environment Department (RED), and as shown in Exhibit 1, from 2017 to 2024, the number of annual PACE assessments billed per year by Records, Taxes and Treasury (RTT) for residential properties has increased from approximately 4,177 to 25,330, with an annual collection value increasing from approximately \$10.2 million to \$70.4 million. In considering the data presented, it is important to note PACE financing agreements (loans) include multiple year repayment periods, and the information shown in Exhibit 1 reflects all annual assessments for each year and is not limited to new assessments. Cumulatively, the value of residential PACE assessments levied to date is approximately \$313 million.

Exhibit 1**Annual PACE Assessments for Residential Properties**

Tax Year	No. of PACE Residential Assessments	Total PACE Assessment
2017	4,177	\$10,176,910
2018	7,993	\$19,632,697
2019	11,655	\$29,035,366
2020	14,497	\$35,768,781
2021	17,446	\$42,712,570
2022	19,444	\$47,921,787
2023	22,505	\$57,328,165
2024	25,330	\$70,381,065
Total	123,047	\$312,957,341

Source: Office of County Auditor presentation of data analysis prepared by Resilient Environment Department.

Based upon analysis completed by Resilient Environment Department (RED), and as shown in Exhibit 2, from 2017 to 2024, there were varying numbers of new residential PACE assessments each year, ranging from 3,584 to 4,580, cumulatively totaling over 33,600 assessments.

Exhibit 2**New Residential PACE Assessments Per Year**

Tax Year	No. of New PACE Assessments
2017	3,584
2018	4,160
2019	4,580
2020	4,322
2021	4,438
2022	4,334
2023	4,113
2024	3,830
Total	33,361

***Source:** Office of County Auditor presentation of data analysis prepared by Resilient Environment Department.*

Review of Limited Sample of Financing Agreements

We considered various aspects of a limited sample of twelve PACE financing agreements for ten residential property owners, with new non-ad valorem special assessments levied in 2024 (additional details regarding our sample selection is provided on page 11 of this memorandum). Exhibit 3 provides a summary table of information, including the city where each residence is located, the cost of the qualified improvements, financing agreement fees, interest costs, and the final cost of the financing agreement, plus the term of the agreement, and the annual special assessment amount. Exhibit 4 provides a visual representation of selected information, focusing on financing agreement components.

As shown in Exhibit 3, the cost of the individual qualified improvements in our sample ranged from approximately \$11,000 to \$56,000. The column 'Financing Agreement Fees' includes the PACE Program Administrator application fees and administrative fees (and other non-material incidental items). 'Total Interest Costs' vary across agreements, depending on individual rates and term length, and as shown here, also includes pre-paid interest and interest rate buy-downs (i.e. an upfront payment for a reduction in interest rates, where applicable). The 'Final Cost of Financing Agreements' represents all amounts due from property owners, assuming payments are made as scheduled. Final costs for these same twelve agreements range from approximately \$22,000 to \$190,000. Terms vary from 10 to 30 years, and the annual Special Assessment levied ranges from approximately \$750 to \$6,300 (note: the Deerfield Beach Property owner obtained three financing agreements from three different PACE Administrators, and the combined value

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of all three annual special assessments is approximately \$8,600). In subsequent Exhibits, we will present additional analyses regarding these financing agreements, focusing on specific aspects of the loans.

As displayed in Exhibits 3 and 4, the interest amounts paid over the life of the financing agreements are a significant expense. On average, the final loan cost (inclusive of all fees and interest expenses) is 290% of the original cost of the qualified improvements. In effect, for each \$1 dollar spent in home improvements, an additional \$2 dollars is paid in fees and interest.

Exhibit 3

Summary Information for Sample of 12 Financing Agreements

Property Owner Of:	Cost of Qualified Improvements	Financing Agreement Fees	Total Interest Costs	Final Cost of Financing Agreement	Special Assessment Term (years)	Annual Special Assessment Amount
Coral Springs	\$52,156	\$2,083	\$135,879	\$190,118	30	\$6,337
Dania Beach	\$18,306	\$1,331	\$32,912	\$52,549	30	\$1,752
Deerfield Beach 1A	\$17,950	\$1,119	\$24,475	\$43,544	20	\$2,177
Deerfield Beach 1B	\$21,521	\$1,555	\$22,905	\$45,982	15	\$3,065
Deerfield Beach 1C	\$35,896	\$1,350	\$47,682	\$84,927	25	\$3,397
Fort Lauderdale	\$55,000	\$2,167	\$132,138	\$189,306	30	\$6,310
Lauderdale Lakes	\$34,878	\$432	\$94,928	\$130,238	30	\$4,341
Lauderhill 1	\$11,009	\$910	\$10,829	\$22,748	30	\$758
Lauderhill 2	\$15,000	\$1,100	\$39,373	\$55,473	30	\$1,849
Margate	\$56,850	\$4,751	\$125,851	\$187,453	30	\$6,248
Pompano Beach	\$32,500	\$2,205	\$24,505	\$59,210	10	\$5,921
West Park	\$30,900	\$2,125	\$69,089	\$102,114	30	\$3,404

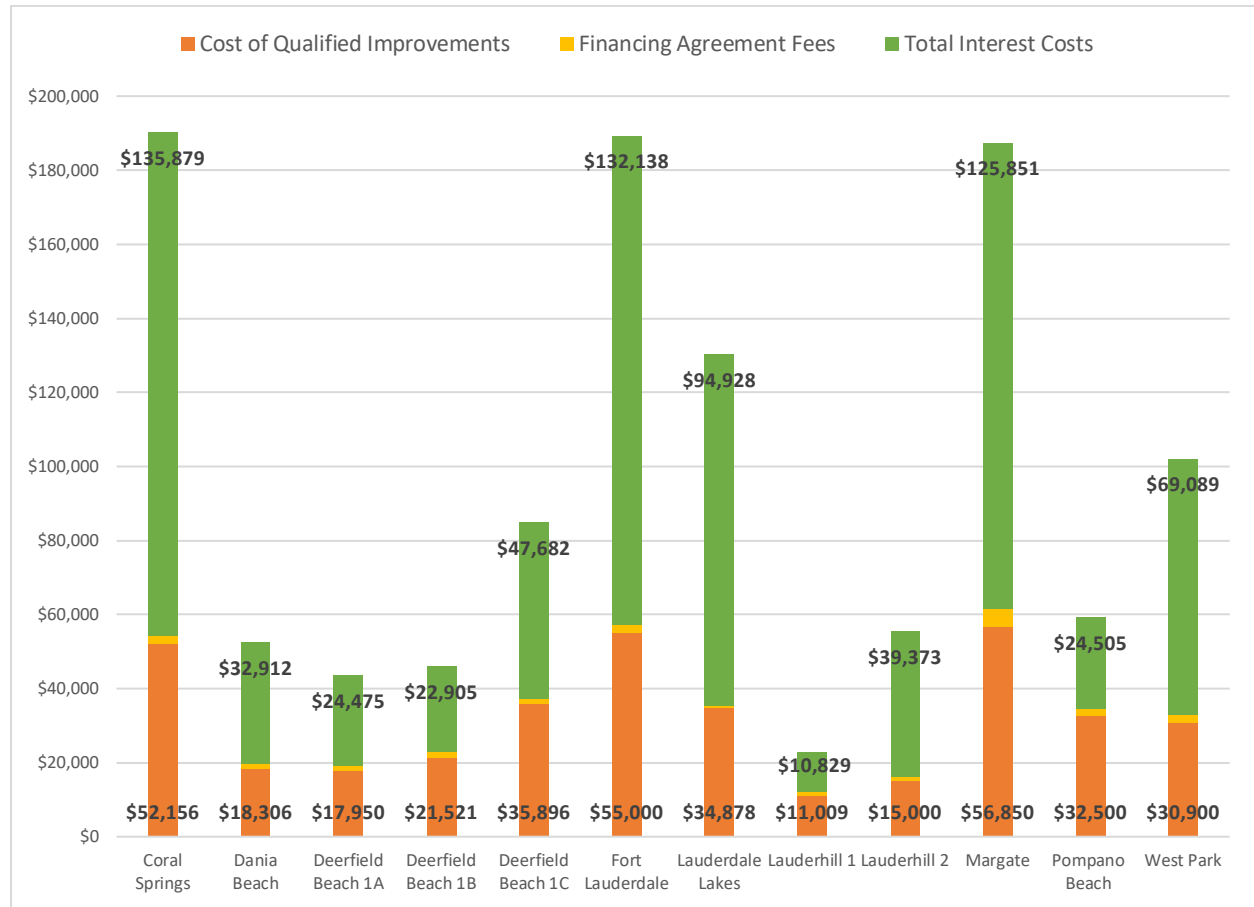
Source: Prepared by the Office of the County Auditor with information obtained from Florida PACE Funding Agency, Florida Green Finance Authority, and PACE Green Corridor.

Note: Excludes RTT collection costs, if applicable.

Note: Deerfield Beach property owner had three separate financing agreements.

Exhibit 4

Improvement Costs, Fees and Interest Amounts for Financing Agreements



Source: Prepared by the Office of the County Auditor with information obtained from Florida PACE Funding Agency, Florida Green Finance Authority, and PACE Green Corridor.

Note: Excludes RTT collection cost, if applicable.

Note: Deerfield Beach property owner has three separate financing agreements.

Cost of Qualified Improvements

As shown in Exhibit 5, the sampled property owners' qualified improvements included installation of new roofing, impact windows and doors, a generator, and heating, ventilation, and air conditioning units (HVAC), which ranged in cost from \$11,000 to \$56,000 per financing agreement. Based on the limited information provided regarding the pricing for several of the improvements, we cannot determine the reasonableness of the costs. Additional information necessary for this analysis would include factors such as type of roof installed (shingle, tile or metal), whether or not additional electrical work was needed to install generator or HVAC units, the type of units installed, sizes of windows and doors, etc.

Given the observable differences in pricing for items such as wind resistant windows and doors, updates to the Ordinance regarding qualified contractor price due diligence verifications by PACE Administrators appears prudent. However, allowing pricing to be up to 125% of the average market price in the tri-county area does not provide meaningful consumer protections for County residents. Additionally, price due diligence confirmations should also be completed for any contractor change orders to further ensure that residents utilizing this program are charged reasonable costs for any changes in the work.

Exhibit 5

Detailed information regarding Nature and Cost of Qualified Improvements

Property Owner of:	Improvement Type	Unit Cost	Units	Quantity	Repair Amount	Total Cost of Qualified Improvements
Coral Springs	Wind-Resistant Roofing	Not listed	Not listed	Not listed	\$52,156	\$52,156
Dania Beach	Roofing	\$10	Sq. Ft.	1,434	\$14,856	\$18,306
	Additional scope - roof	\$3,450	each	1	\$3,450	
Deerfield Beach 1A	Central HVAC SEER rating: 16 -- Size (Ton): 5 Ton	Not listed	Not listed	Not listed	\$8,975	\$17,950
	Central HVAC SEER rating: 18 -- Size (Ton): 3 Ton	Not listed	Not listed	Not listed	\$8,975	
Deerfield Beach 1B	Generator	\$978	kwh	22	\$21,521	\$21,521
Deerfield Beach 1C	Wind-Resistant Window - Other	Not listed	Not listed	Not listed	\$18,000	\$35,896
	Wind-Resistant Door	Not listed	Not listed	Not listed	\$17,896	
Fort Lauderdale	Wind-Resistant Window - Vinyl/Fiberglass/Aluminum	Not listed	Not listed	Not listed	\$35,000	\$55,000
	Wind-Resistant Door	Not listed	Not listed	Not listed	\$20,000	
Lauderdale Lakes	Wind-Resistant Roofing - Other	Not listed	Not listed	Not listed	\$34,878	\$34,878
Lauderhill 1	High-Impact Windows	\$2,752	each	4	\$11,009	\$11,009
Lauderhill 2	Windows	\$2,083	each	6	\$12,500	\$15,000
	Door - Entry	\$1,250	each	2	\$2,500	
Margate	Impact Windows	\$2,395	each	11	\$26,350	\$56,850
	Impact Doors- Sliding	\$1,000	each	2	\$2,000	
	Roof - Tile	\$18	each	1,500	\$27,000	
	Impact Doors	\$1,500	each	1	\$1,500	
Pompano Beach	High-Impact Doors - Standard	\$4,500	each	1	\$4,500	\$32,500
	High-Impact Sliding Glass Doors	\$6,000	each	1	\$6,000	
	High-Impact Window	\$1,375	each	16	\$22,000	
West Park	High-Impact Windows	\$1,986	each	11	\$21,845	\$30,900
	High-Impact Doors - Custom	\$9,055	each	1	\$9,055	

Source: Prepared by the Office of the County Auditor with information obtained from Florida PACE Funding Agency, Florida Green Finance Authority, and PACE Green Corridor.

Note: Deerfield Beach property owner has three separate financing agreements.

Additional Financing Agreement Fees

In addition to the cost of the qualified improvements, the property owner incurs additional fees which are charged by the PACE Administrators. These fees (which varied across each financing agreement) include, but are not limited to, the following: an application fee, program administration fee, recording fees, reserve fund deposit fee, and are shown (in total) in Exhibit 6. It is noted that the majority of program administrator fees varied from approximately \$430 to \$2,200. However, one instance was identified where the combined fees were substantially higher at approximately \$4,750, and disproportionate to other financing agreements with similar qualified improvement values of over \$50,000. On average, additional financing agreement fees were approximately 6% of the cost of the qualified improvements.

Exhibit 6**Summary of Financing Agreement Fees**

Property Owner Of:	Cost of Qualified Improvements	Financing Agreement Fees	Fees as a % of the Cost of Qualified Improvements	Average % of Fees
Coral Springs	\$52,156	\$2,083	3.99%	5.94%
Dania Beach	\$18,306	\$1,331	7.27%	
Deerfield Beach 1A	\$17,950	\$1,119	6.23%	
Deerfield Beach 1B	\$21,521	\$1,555	7.23%	
Deerfield Beach 1C	\$35,896	\$1,350	3.76%	
Fort Lauderdale	\$55,000	\$2,167	3.94%	
Lauderdale Lakes	\$34,878	\$432	1.24%	
Lauderhill 1	\$11,009	\$910	8.27%	
Lauderhill 2	\$15,000	\$1,100	7.33%	
Margate	\$56,850	\$4,751	8.36%	
Pompano Beach	\$32,500	\$2,205	6.78%	
West Park	\$30,900	\$2,125	6.88%	

Source: Prepared by the Office of the County Auditor with information obtained from Florida PACE Funding Agency, Florida Green Finance Authority, and PACE Green Corridor.

Note: Deerfield Beach property owner has three separate financing agreements.

Total Interest Costs

Interest costs were observed to be a significant component of the financing agreements we sampled. Interest costs per financing agreement vary, most significantly based on the term of the loan, and the interest rate. To illustrate the full cost of interest, Exhibit 7 shows the cost of the improvement, prepaid interest amounts (based upon gaps in timing of the date the loan is

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executed to the date the first special assessment payment is due), interest rate ‘buy-down’ charges (as applicable), total interest cost, term, and the annual interest rate.

Annual interest rates varied from a low of 4.68% to a high of 11.82%. In two instances, property owners paid additional fees as part of their financing agreements to ‘buy down’ the interest rate. In these cases, the resultant annual interest rate is observed to be 8.43 and 8.57%; the documents provided to us do not include the originally offered rate, and only one of the two financing agreements indicated that the rate reduction will remain in effect for the entire term.

As noted previously, loan terms range from 10 to 30 years, although eight of the 12 loans sampled (67%) have a 30-year repayment period. As expected, longer loan terms result in significantly higher total interest costs. Recent updates to the Statutes now limit the term of the loan to the average weighted useful life of the improvement(s), not to exceed 20 years. The shorter loan terms may result in significant long-term savings for property owners.

Exhibit 7

Total Interest Costs and Rates

Property Owner Of:	Cost of Qualified Improvements	Prepaid Interest	Rate Buy Down	Interest on Principal Finance Amount	Total Interest Cost	Special Assessment Term	Annual Interest Rate
Coral Springs	\$52,156	\$8,140	\$0	\$127,739	\$135,879	30	11.47%
Dania Beach	\$18,306	\$1,390	\$3,110	\$28,412	\$32,912	30	8.57%
Deerfield Beach 1A	\$17,950	\$2,323	\$0	\$22,152	\$24,475	20	9.43%
Deerfield Beach 1B	\$21,521	\$253	\$0	\$22,652	\$22,905	15	11.72%
Deerfield Beach 1C	\$35,896	\$2,633	\$3,590	\$41,460	\$47,682	25	8.43%
Fort Lauderdale	\$55,000	\$4,945	\$0	\$127,193	\$132,138	30	11.49%
Lauderdale Lakes	\$34,878	\$5,649	\$0	\$89,279	\$94,928	30	11.82%
Lauderhill 1	\$11,009	\$1,209	\$0	\$9,620	\$10,829	30	4.68%
Lauderhill 2	\$15,000	\$1,346	\$0	\$38,027	\$39,373	30	11.27%
Margate	\$56,850	\$5,611	\$0	\$120,240	\$125,851	30	9.36%
Pompano Beach	\$32,500	\$3,733	\$0	\$20,772	\$24,505	10	11.53%
West Park	\$30,900	\$2,352	\$0	\$66,737	\$69,089	30	10.38%

Source: Prepared by the Office of the County Auditor with information obtained from Florida PACE Funding Agency, Florida Green Finance Authority, and PACE Green Corridor.

Note: Deerfield Beach property owner has three separate financing agreements.

Disclosure Notices Regarding Financing Agreement Terms

In addition to reviewing the terms of the financing agreements, we also reviewed the disclosure statements provided to us for only 10 of the 12 sampled loans. Disclosure notices are executed with the intent to ensure all property owners are aware of the terms of the loan, including total amounts for project costs (qualified improvements), fees and interest, term of the loan, and annual increase to property tax bills.

We note that the disclosure statements provided to us do not clearly state the total final cost of the financing agreements. Specifically, in all 10 disclosure statements reviewed, we observed that the 'total PACE financing' amount shown does not include amounts for interest to be paid throughout the agreement term. Instead, the value displayed to property owners is the principal value of the loan, inclusive of the project cost (qualified improvement), various administrator fees, and prepaid interest and buy-down amounts. This can be misleading and appears to be contrary to the intent of the disclosure statement form itself.

Exhibit 8 displays an excerpt from one "PACE Disclosure Statement for Residential Properties." In this document, Item No. 3 (highlight added) states, "The estimated total PACE financing for my property, including all projects costs, fees and interest, is \$24,136.56." This appears to be an inaccurate representation, as the PACE Disclosure Statement excluded \$28,412 in interest charges that the property owner will have to pay over the term of financing agreement. This same or similar approach was observed in all 10 disclosure forms reviewed. This presentation can be misleading to property owners who rely upon the form to provide essential information and appears inconsistent with the intent behind the disclosure requirement. However, we noted in all cases that the financing agreement itself contained the total interest costs.

It is noted that the updates to both the Statutes and Ordinance contain additional specific requirements regarding disclosures. Increased monitoring of the accuracy of prepared disclosure statements may help to protect consumer interests.

Exhibit 8

Excerpt from Sample PACE Disclosure Statement for Residential Properties

Please Read This Before Signing

PACE Disclosure Statement for Residential Properties
(This form is required by Broward County Administrative Code Ch. 22, Part XXVIII)

I understand my PACE project is subject to the following:

1. PACE is **NOT** part of a Broward County governmental program; there is no Broward County government assistance or relief available for my inability to pay my financial obligation.
2. Property Owners are encouraged to get multiple bids to determine an appropriate range of costs for home improvements.
3. The estimated total PACE financing for my property, including all projects costs, fees and interest, is **\$24,136.56**.
4. My annual property tax bill is estimated to increase by **\$1,751.62** for a period of **30** years to pay the PACE assessment.
5. If I have an existing mortgage with escrow payments that include the PACE assessment, my annual escrow payments will increase by an amount at least equal to the tax bill increase in #4 above.
6. My **first-year** escrow payments might be significantly higher unless I am able to arrange for an earlier escrow collection. I can contact my mortgage servicer after my PACE financing is finalized to request that my PACE-related escrow payments start earlier.
7. I can cancel my PACE contract up to 3 business days after I sign my PACE finance agreement, unless I choose in the finance agreement to waive this term due to emergency circumstances.

***Source:** Excerpt from sample PACE Disclosure Statement provided to our Office.*

Prepayment of Financing Agreement Amounts

In reviewing the financing agreements, we observed varying requirements and potential penalties regarding prepayment of loan amounts. Sample excerpts from financing agreements are shown in Exhibits 9 A-C.

Exhibit 9A

Prepayment Excerpt From Sample Financing Agreement

PREPAYMENTS; REAMORTIZATION. THE ASSESSMENT MAY BE PREPAID, IN WHOLE OR ANY AMOUNT OF \$2500 OR MORE, AT ANY TIME. PREPAYMENTS WILL BE APPLIED AT THE END OF THE MONTH IN WHICH FUNDS ARE RECEIVED. IF YOU PREPAY IN FULL, THE PREPAYMENT AMOUNT WILL REFLECT A CREDIT FOR ANY REFUND OF CAPITALIZED INTEREST. UPON REQUEST, WE WILL PROVIDE A PAYOFF STATEMENT AND PREPAYMENT INSTRUCTIONS. THE PAYMENT SUMMARY WILL SHOW REDUCED SUBSEQUENT ANNUAL PAYMENTS SO THAT THE REMAINING SCHEDULED PAYMENTS WILL BE SUFFICIENT TO REPAY ALL AMOUNT THEN DUE UNDER THE ASSESSMENT BY THE END OF THE ORIGINAL TERM OF THIS AGREEMENT. WHILE YOU WILL ENJOY A LOWER ANNUAL PAYMENT FOLLOWING A PARTIAL PREPAYMENT, THE TERM OF THE ASSESSMENT WILL NOT REDUCE. THEREFORE, YOU WILL PAY MORE INTEREST OVER THE REMAINING TERM OF THE ASSESSMENT THAN YOU WOULD PAY IF THE SUBSEQUENT ANNUAL PAYMENTS WERE NOT REDUCED BECAUSE THE REMAINING PRINCIPAL BALANCE OF THE ASSESSMENT WILL BE REPAYED MORE SLOWLY. DUE TO CIRCUMSTANCES OUTSIDE OF OUR CONTROL, PREPAYMENTS MADE AFTER AUGUST 1 OF ANY CALENDAR YEAR MAY RESULT IN YOUR RECEIVING A TAX BILL THAT DOES NOT REFLECT THAT PREPAYMENT. IN THESE CIRCUMSTANCES, YOU MUST PAY YOUR FULL TAX BILL AND WE WILL REFUND OVERPAYMENTS TO YOU WHEN WE RECEIVE THE MONEY FROM THE TAX COLLECTOR.

Exhibit 9B

Prepayment Excerpt From Sample Financing Agreement

Prepayment

As the Property Owner you have the right to pay off your Assessment without penalty at any time in full, or in any amount of at least \$2,500 pursuant to Section 3(D) of this Financing Agreement. However, if you do so, you will have to pay any delinquent installments of the Assessment together with any statutory penalties thereon, the Financed Amount to be prepaid ("Assessment Prepayment Amount"), interest on the Assessment Prepayment Amount to the earlier the 15th day of the next month occurring at least 20 days following the date the prepayment is made, a pro-rated amount of the Annual Collection Cost and any other charges associated with such prepayment as specified in Section 3(D) of this Financing Agreement. No prepayments of less than \$2,500 will be accepted unless the remaining balance is less than \$2,500 and you prepay the remaining balance.

Exhibit 9C

Prepayment Excerpt From Sample Financing Agreement

Prepayment of the Final Assessment. The Owner may prepay the Final Assessment obligation in full at any time by paying the then outstanding principal balance as shown on the amortization schedule provided with the final closing statement, plus reasonable administrative costs and the current year's installment of the Assessment that appears on the property tax bill. The Owner may partially prepay the then outstanding principal balance as shown on the amortization schedule provided with the final closing statement, plus reasonable administrative costs (including the costs to provide a revised payment schedule for the remaining term). The minimum partial prepayment amount is \$2500. Prepayments of the Final Assessment will not satisfy or reduce the amount reflected in the current year's installment of the Assessment that appears on the property tax bill. The prepayment may also include a prepayment premium (in the percentage indicated in Exhibit C hereto) based upon the principal satisfied or reduced by such prepayment.

Sources: Documents provided to Office of the County Auditor by PACE Administrators.

Additional Comments on Sample Financing Agreements

We requested and received information from each of the three PACE Administrators currently operating in the County regarding four loans each (total twelve loans). Our judgmentally selected sample focused on new non-ad valorem assessments, with an effort to select residences in different cities, with a range of property values. The financing agreements were executed from April 2022 to October 2023. From the documents provided to us, we compiled information from the actual financing arrangements, such as the types of improvements and cost of work, the administrative fees or other amounts charged residents as part of the loan, as well as the terms of the loan, such as interest rates and repayment period. Within our selection, one property owner (Deerfield Beach) executed financing agreements with three separate PACE

Administrators for different improvements to their property. One additional financing agreement within our sample was a second assessment for the homeowner (Lauderdale Lakes).

Additional Case Study

During the preparation of this memorandum, an additional PACE financing agreement was brought to our attention. As an additional case study, the property is located in Lauderdale Lakes. The financing agreement was electronically signed on November 16, 2023, and the Completion Certificate was electronically signed on November 28, 2023. The initial cost of the home improvements was \$33,000 for the replacement of 10 ducts, a radiant barrier and attic insulation. After fees and pre-paid interest, the total amount financed is \$39,018. The term of the agreement is 20 years, and the simple interest rate is shown as 10.39%. The resultant total amount to be repaid is \$96,748 (inclusive of administrative expenses, including RTT collection fees). It is noted that this is the second PACE assessment levied for this property. The first assessment was entered in 2018, for \$807, and the annual value of this second assessment is \$4,837. According to the Broward County Property Appraiser's website, the 2024 tax bill, without assessments was \$1,264. The property's full annual tax bill, inclusive of both assessments, is approximately \$6,908.

Overall Conclusion

Based upon the information presented in this memorandum, the prevalence of PACE program financing agreements has significantly grown in Broward County since 2016. With over 25,000 PACE assessments in 2024, with a combined levied value of over \$70 million, we can see that the program is being significantly utilized by residents. However, information reviewed on specific loans shows that for some property owners, PACE loans are associated with significant long-term costs. Many of the updates to the Statutes and Ordinance provide additional oversight and requirements which will strengthen consumer protections.

Potential Additional Program Improvements/Consumer Protections/Program Controls:

To further help ensure the PACE program operates as intended and that County residents who use the PACE program are educated and knowledgeable, we have identified the following potential additional controls (organized by various program aspects) that could be considered, should the Board desire to do so. As applicable, any additional controls could be incorporated into the Ordinance, or additional requirements can be specified within interlocal agreements, or implemented/monitored by PACE Administrators and/or Resilient Environment Department (RED).

PACE Documents and Disclosure of Information to Consumers:

1. As feasible, PACE template documents required to be submitted to County by PACE Administrators (as stated in Ordinance 20-176.133(d)) should not just be collected by County, but qualitatively reviewed, and subject to comments and/or approval.
2. Homeowners may benefit from having certain information earlier in the loan process, such as at the time of application, or shortly thereafter. For example, applications/early documents could advise property owners: to obtain information regarding fees and interest rates from multiple PACE administrators; obtain quotes and estimates from multiple contractors; and to negotiate costs with the contractors, including any change orders. This may assist them in obtaining more competitive pricing and reduce overall loan costs.
3. Early knowledge of potential savings/cost impacts may encourage residents to secure more beneficial loan terms, and/or make pre-payments when able, resulting in cost/interest savings over time. Application and disclosure statements could include examples of:
 - a. Multiple loan terms, showing sample total costs for 10-or 20-year terms;
 - b. Rate buy-down impacts (costs or savings) over the life of the loan;
 - c. Pre-payment benefits and long-term savings that could be achieved by remitting additional loan payment amounts direct to PACE Administrators.
4. Information available to consumers on the Resilient Environment Department webpage could include an informational video about the program and financing options. As program applications and financing agreements are often lengthy and difficult to read, a video (available in multiple languages) may be beneficial as a supplement to currently available educational materials and information.

Monitoring Qualified Improvement Compliance with Statute and Ordinance Requirements

5. Statute and Ordinance updates include several new requirements. The County may wish to implement reporting and/or monitoring practices to verify PACE Administrators and qualified improvement contractors' practices are compliant. This may include sampling techniques. Potential areas for additional monitoring include, but are not limited to:
 - a. Pricing Due Diligence:
 - i. Ensuring completion of pricing due diligence activities including contractor attestations and PACE Administrator independent reviews, based on industry

accepted methods and tools. All pertinent documents should be retained with loan records.

- ii. Ideally, pricing due diligence requirements should extend to contractor change orders and all project costs should not exceed average market pricing.
 - iii. Ensuring financing agreements are not approved for qualifying improvements with pricing above current market standards.
- b. Review of Materials and Equipment:
- i. Ensuring PACE Administrators confirm financing agreement terms are equal to, or less than the weighted average useful life of the qualified improvements, up to a maximum of 20 years.
 - ii. Ensuring PACE Administrators review the equipment/materials being installed by qualifying improvement contractors for adherence to Ordinance requirements for energy efficiency and appropriate sizing. Financing agreements should not be executed for projects that do not meet these standards or provide actual improvements to the homeowner's residence.
- c. Review of disclosure notices:
- i. Ensuring all required information is included and accurately presented.

Establishment of Maximum Interest Rates and Administrative Fees:

- 6. To help improve the affordability financing agreements for residents, the County may wish to establish:
 - a. Maximum interest rates potentially based upon appropriate industry metrics.
 - b. Maximum administrative (application) fees charged to property owners by PACE Administrators.

Remedies for Non-Compliance:

- 7. While the Ordinance includes penalties for failure to comply, including fines of up to \$500 for violations, it is noted that such amounts may not be sufficient to discourage bad actors, who may stand to make significant profits.
- 8. PACE Administrators should be encouraged to ensure contractor compliance, and to sever relationships with entities who fail to deal with homeowners fairly and responsibly. Additionally, PACE Administrators who fail to adhere to County requirements (Ordinance or Interlocal Agreements) should be warned, and when appropriate, actions should be taken by County to terminate the interlocal agreement with any non-compliant PACE Administrators and deauthorize them from operating within the County.

January 28, 2025, Agenda, Items No. 61, 65 and 66
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Please be advised that the information presented herein is not considered an audit in accordance with Generally Accepted Governmental Auditing Standards. Had we conducted an audit, we may have identified additional findings and concerns.

If you have any questions regarding the information in this memorandum, please feel free to contact me.

Cc: Monica Cepero, County Administrator
Andrew Meyers, County Attorney
Laurette Jean, Assistant to the County Administrator
Lenny Vialpando, Director, Resilient Environment Department