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IMPORTANT INFORMATION REGARDING DIRECT ASSESSMENTS FOR PROPERTY ASSESSED CLEAN ENERGY (PACE) PROGRAMS

PACE programs, under state law, allow local governments, state agencies, or inter-jurisdictional authorities to fund, through the issuance of bonds, the up-front cost of installing energy improvements on commercial and residential properties. Qualified property owners repay the bonds through direct assessments on their annual property tax bill. Some examples of qualifying projects include high efficiency air conditioners and heating systems, windows, cool roofs, insulation, rooftop solar panels, and smart irrigation systems.

The PACE direct assessments are different from the majority of assessments (e.g., garbage collection, flood control or solid waste) in the following ways:

- Participation in a PACE program is voluntary and is not required pursuant to any government program or initiative.
- The Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) are the owners of a majority of all home mortgages. Fannie Mae and Freddie Mac are government-sponsored enterprises established to facilitate a more efficient national mortgage market for home mortgages. These agencies have previously stated that they would not purchase home mortgages with PACE assessments. If a property owner with a PACE assessment refinances his or her mortgage or sells the property, lenders or prospective buyers may require that the assessment be paid in full as part of the refinancing or sale transaction.
- Property owners should consult with their lender(s) or mortgage servicer(s) prior to entering into an assessment contract. Entering into an assessment contract without the consent of an existing lender(s) or mortgage servicer(s) may constitute an event of default under such agreements or security instruments. Defaulting under an existing mortgage agreement or security instrument could have serious consequences to property owners, which could include demand for payment in full or foreclosure.
- Property owners must keep property taxes current. If you have a PACE assessment and you become delinquent on your property taxes, your PACE assessment is also delinquent. Under the terms and conditions of a PACE financing, the holders of the PACE bonds have the right to initiate a judicial foreclosure process against the property to recover ANY delinquent PACE assessment, which could result in the loss of your property.
- The PACE bond investors DO NOT have to honor an Installment Plan of Redemption, as allowed under the California Revenue and Taxation Code, to repay defaulted taxes over a five-year period.
- If you pay your property taxes through your lender or mortgage servicer, you may need to contact your lender or mortgage servicer to adjust your impound amount and ensure that sufficient funds are available to cover the annual PACE assessment.
- If you have been approved for PACE financing and executed an assessment contract, the annual assessment payments will appear under the "Your Tax Distribution" Section (box 12 or 13) of your property tax bill. Some examples of how the assessment will appear are CA HERO PROGRAM, CALFIRST KC, CEDA PACE 2013B, CEDA PACE 2014-2. If you have a specific question in regards to your direct assessment, please refer to the telephone number found on your Annual Property Tax Bill adjacent to the PACE program assessment.