

# Naples Daily News

---

## MONEY

# Head of funding agency defends PACE financing and right to operate in Southwest Florida



**Laura Layden**

Naples Daily News

Published 5:14 a.m. ET Oct. 9, 2023 | Updated 5:14 a.m. ET Oct. 9, 2023

The Florida PACE Funding Agency isn't backing down.

A few weeks ago, Collier County sent a cease-and-desist letter to the agency for operating "in conflict with board policy." Lee County sent a similar letter in June.

The agency continues to operate against board policy, by providing financing to residents of both counties through the Property Assessment Clean Energy, or PACE, program, for energy efficiency and storm-hardening upgrades to their homes.

In 2019, Collier County pulled the plug on the residential side of the program, following reports of contractor abuse and predatory lending, targeted at low-income residents, including seniors.

Lee County hasn't authorized it.

The Florida PACE Funding Agency has taken the position that it can offer financing for residential and commercial projects wherever it wants to in the state, based on a recent court decision, with or without county or city approval.

In a phone interview, Mike Moran, executive director of the Florida PACE Funding Agency, defended the position and the program, which is in high demand across Florida.

"We have definitely seen a spike in our activity for sure," he said.

The "sweet spot" for the financing is for new roofs and air conditioners, which are both big hits to the wallet, so it's understandable, Moran said.

As private insurers have become more reluctant to write or renew policies for homes with roofs 15 years or older in Florida, it has necessitated and spurred more roof replacements in recent years, he said.

With carriers denying, low-balling or dragging out payments for roof replacements in the aftermath of destructive hurricanes, such as Ian last year, the financing can serve as a lifeline and speed up recovery, Moran added.

After a hurricane hits, the longer it takes to "get back to sustainability," so people can get back to normal, the more "bad things start to happen," increasing the risk of businesses failing and mortgages defaulting, he stressed.

As for air conditioners, many of the homeowners using PACE financing are replacing systems that are 12 years or older, at the end of their life cycle, and buying much more efficient ones, he said.

**Previous coverage:** Controversial financing program returns to Collier County. County leaders want it gone

**More:** Controversial financing program returns to Collier County. County leaders want it gone

## Defending the PACE program

When it comes to the financing program, there's a lot of misinformation out there, Moran said, which he works hard to dispel, when given the opportunity.

"We don't bring the contractor," he said. "There is a lot of confusion there. You can select your contractor."

PACE financing has higher interest rates and higher default penalties than traditional home improvement loans. At the same time, the rate is much lower than the 20% to 30% charged by credit card companies, Moran emphasized.

While the home improvement loan may be a less expensive option, he stressed that not everyone can get one, and it can take 13 to 14 weeks to get approval and obtain the money, if you qualify.

Interest rates for PACE range from about 6% to 13%. Repayment is typically spread over 15 to 20 years, and the amount of the assessment can't exceed 20% of the market value of the property,

Other choices to pay for costly improvements may include borrowing money from family or friends, or paying in cash, if you can swing it. Or to just "do nothing," Moran said.

"We are literally changing people's lives, giving them this alternative option to finance home improvements," he said.

Through the PACE program, property owners put no money down and pay the costs back over time through a voluntary assessment on their tax bill. The special assessment automatically becomes a first lien on any property — putting both the borrowers and mortgage lenders at risk, if owners are hit with a bill they can't afford to pay.

In defense of the program, Moran said it's a "leap" to argue that PACE assessments create serious financial hardships.

"It's a tough jump for me to make," he said.

Although there have been criticisms that borrowers don't know what they're getting into when they sign up for the financing, Moran said an initial and a final call are conducted with every one of them to go over the details and get final consent. Both calls are recorded.

"It's very thorough. It's incredibly detailed," Moran said of the review and approval process.

In a recent survey of PACE borrowers, 85% of respondents stated they would recommend the program to friends and family, and 92% commented that they were treated professionally and courteously throughout the process, he said, describing the results as "amazing," especially when it involves something as valuable and important as their home or business.

## **Carrying out a state 'mission'**

Over the past 12 months, the Florida PACE Funding Agency has provided nearly \$400 million in financing for qualifying residential and commercial projects across the state, he said, to carry out a "compelling state interest" and a "public purpose" to help owners pay for hurricane-hardening and energy-efficiency improvements, through a program authorized by the state Legislature.

"This isn't taxpayer dollars, any of it," Moran emphasized.

His agency continues to face pushback in several counties where tax collectors are refusing to collect the assessments needed to pay back the private lenders that provided the PACE financing — including Collier County.

"This is a billion-dollar conversation ... Money needs to be paid back," Moran said. "It's a problem."

In a recent interview, Collier County Tax Collector Rob Stoneburner explained that because county commissioners voted to end the program on the residential side years ago, he reasons the collection method isn't authorized by the county, so he's not authorized to do it.

"I just don't stick anything on the tax notice," Stoneburner said.

The ordinance authorizing the program in Collier now only covers commercial projects.

Several counties in Florida have already sued the PACE Funding Agency in an attempt to stop it from financing any other homeowner projects, including Palm Beach and Hillsborough. The agency has fought back, with a few lawsuits of its own, seeking to force tax collectors to collect its assessments when they refuse to do so.

"I think the courts are going to shake this out over the next few weeks," Moran said.

Asked if borrowers could pay the money back directly, to avoid a default, he said that's for the courts to decide.

"We are in uncharted territory here," he said. "I am arguing that this is probably going to go to the Supreme Court, if you ask me."

In response to accusations of "predatory lending," Moran said many borrowers come to his agency on their own, often through referrals from other residents who know about the PACE program or have used it themselves.

This year, the agency has received nearly 13,500 "inbound requests" for financing, from owners who sought help on their own, and weren't solicited or targeted by contractors, or anyone else, he said. That statewide total includes about 530 coming from Lee and Collier counties.

In addition to his leadership role with the funding agency, Moran serves as a county commissioner in nearby Sarasota County. His county supports the program for residential and commercial projects, and has funding agreements with five providers, one of which operates under his district.

There are four such districts in Florida.

When asked about conflicts of interest between his two roles by the media in Sarasota, Moran has commented that he sees none.

## **PACE funding assessments spike**

In Collier, the Florida PACE Funding Agency didn't record any assessments for residential projects in 2020, or 2021, and had just one in 2022. Then came a wave of them in 2023, sparking concerns.

Property records show about 50 liens have been recorded by the agency in the county since January, in such lower-income areas as Golden Gate Estates, East Naples and Ave Maria. Ten of them have been recorded in just the last month.

In neighboring Lee County, the funding agency has been even busier.

Property records show it has recorded more than 250 liens in the county this year.

Lee County has not approved any PACE programs for the unincorporated area, but a few cities have, such as Cape Coral.

The agency continues to offer loans across Lee, despite a cease-and-desist letter the county sent in June. The letter demanded that it "immediately stop executing new financing agreements" for property within its jurisdiction, without an interlocal agreement, or it would be forced to seek "judicial intervention" to protect its residents, but the district did not heed the warning.

While most of the new assessments are in Cape Coral, they continue to be recorded in the unincorporated area, especially in Lehigh Acres, which is problematic.

"We have historically collected the assessments for PACE when the municipality has an intra-local agreement with PACE and a collection agreement with us," said Lauren Bernaldo, chief communications officer for the Lee County Tax Collector's office. "We will not enter into a collection agreement without the municipality having the intra-local agreement in place first."

