

Request for Proposals
The David and Lucile Packard Foundation

Planning Project
on a Potential Economic Analysis of the Financing
of Energy Efficiency Policy Options for Residential Applications

August 2010

With more than a third of United States greenhouse gas emissions coming from the building sector, improving energy efficiency in buildings is central to combating climate change. In recent years, the federal government has increased its emphasis on funding energy efficiency programs for both commercial and residential properties, in order to foster a clean energy economy. The development of financing solutions to encourage this growth is a key part of the economic equation.ⁱ

The Property Assessed Clean Energy (PACE) program has provided a financing mechanism for local governments to support thousands of homeowners in installing energy efficiency and related upgrades to their homes by allowing the investments to be paid back over time through local property taxes. Though it was supported by the Obama administration through a policy framework issued on October 18, 2009, the program has recently ceased operation after a Federal Housing Finance Administration action directing Fannie Mae and Freddie Mac not to participate given that, in the event of a foreclosure, outstanding property taxes must be paid off before mortgages. There is not clarity about whether or when this provision does reduce the value of the mortgage, given that the property is worth more because of the energy upgrades but property taxes have to be paid off.

The Packard Foundation invites proposals from qualified organizations for the following brief planning project:

- A. First, to assess the utility of and audience for a sound economic assessment of public policy options for residential energy projects (including but not limited to PACE) and the related mortgage and property tax questions,ⁱⁱ in order to inform the public discourse around the financing of residential energy efficiency projects. The audience may include the banking community, public policy makers, advocates in the field, or other stakeholders.
- B. Second, if such an analysis is determined to be useful, determine appropriate and credible institutions and investigators to conduct the research, and outline the scope of work, budget range, and a dissemination plan for the analysis. Investigators identified should be highly credible with the key audiences identified in A above.

This project and any subsequent projects will focus solely upon the implications of energy efficiency programs for residential properties. It will not consider the economic implications for commercial properties.

Eligible investigators for this planning project will have demonstrated expertise in the economics of residential energy efficiency programs, a demonstrated understanding of the current situation regarding these programs, and be available to carry out this project between September 18 and October 5, 2010.

At the conclusion of the planning grant, the grantee will provide a written report, to be made available to the field and the Foundation, about item A above, and a written report to the Foundation about item B.

The budget for this planning project will be between \$15,000 and \$25,000, depending on the experience of the selected investigator. The Foundation estimates that the project should require less than 60 hours to carry out.

The proposal for this planning project should include:

1. A proposal narrative, outlining the goals of this project, a description of the current situation related to energy efficiency programs for residential properties, and the methods the investigator will use to determine the answer to A and B above.
2. A description of the investigator's qualifications, including but not limited to their curriculum vitae.
3. A budget and brief budget narrative.

Proposals are due on September 8, 2010, at 8:00 am, Pacific Time. Proposals should be emailed to so@packard.org. Applicants will be notified about the outcome of their proposal on September 17, 2010. The selected applicant will need to provide additional standard grant documentation immediately upon selection (including IRS letter of their organization, audit or other financial statements, list of board members, etc.).

Questions about the planning project or the proposal process should be directed to Linda Baker, Program Officer, at lbaker@packard.org or 650-917-7179.

The David and Lucile Packard Foundation

The David and Lucile Packard Foundation is a private family foundation created in 1964 by David Packard (1912-1996), co-founder of the Hewlett-Packard Company, and Lucile Salter Packard (1914-1987). The Foundation provides grants to non-profit organizations in the following program areas: Conservation and Science; Population and Reproductive Health; and Children, Families, and Communities. The Foundation makes national and international grants and also has a special focus on the Northern California counties of San Benito, San Mateo, Santa Clara, Santa Cruz, and Monterey. Foundation grantmaking includes support for a wide variety of activities including direct services, research and policy development, and public information and education. The foundation grant awards totaled approximately \$268 million in 2009. The Foundation expects grantmaking awards of up to \$236 million in 2010. For more information, please visit www.packard.org.

ⁱ Guide to Energy Efficiency and Renewable Energy Financing Districts for Local Governments. UC Berkeley, September 2009.

ⁱⁱ Such an analysis could consider questions such as:

- Which financing mechanisms are most likely to encourage residential clean energy projects? Which are most feasible in the current policy climate?
- Under what conditions do clean energy projects increase, leave unchanged, or decrease the value of the underlying mortgage?
- How much does the value of the mortgage change? How is this similar to or different from property assessments for sewer districts, school districts, etc.?
- What conditions could be put on a PACE or other energy efficiency program so that it is only used in cases where it increases or leaves unchanged the value of the mortgage?
- What are the spill-over benefits of residential energy projects (such as job creation or stabilization of the housing market) to the surrounding community?