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May 26, 2020

Hernando County Board of County Commissioners
20 N. Main St.
Room 263
Brooksville, FL 34601

RE: Discussion Regarding Property Assessed Clean Energy (PACE) Loan Program

Dear Commissioners,

I write to you as director of finance, insurance and trade policy for the R Street Institute, a nonprofit, nonpartisan public-policy research organization whose mission is to engage in policy research and outreach to promote free markets and limited, effective government. R Street is based in Washington, D.C., and has a regional office in Tallahassee. I am a resident of St. Petersburg.

I write in reference to agenda item H1 for the May 26 board meeting, the discussion regarding the county's Property Assessed Clean Energy (PACE) loan program. We understand the topic was raised for discussion at the request of Commissioner Jeff Holcomb. We hoped to take this opportunity to express to the board that R Street has long supported PACE-financing options as a market-friendly approach to help homeowners to invest both in energy efficiency and risk mitigation.

Risk mitigation is particularly important in Florida, given the state's profile as a low-lying peninsula that juts out into some of the most hurricane-prone waters in the world. Those risks are routinely reflected in our homeowners insurance rates, which are the costliest in the nation. After a long stretch of relatively benign rate development, insurance industry observers recently have warned that Florida should once again brace for rate increases in 2020. Early reports for the June reinsurance renewal period for Florida carriers suggest across-the-board increases of roughly 20 percent.

Investments in natural hazard mitigation offer the most cost-effective way to reduce the severity and likelihood of damage from natural catastrophes like hurricanes, and hence to reduce property insurance costs. According to a 2017 analysis by the National Institute of Building Sciences, every \$1 invested in building mitigation saves \$6 on average in costs.

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PACE financing is an effective means for property owners to make such investments. A recent study by the University of South Florida of a single PACE administrator's Florida program found that \$525.1 million of hurricane-protection investments yielded \$970 million of avoided property damage.

In the three years it has been operational, Hernando County's PACE program has seen roughly 350 completed projects, of which about 40 percent are hurricane-resiliency projects. Early estimates are that these will save nearly \$2 million in insurance premiums and avert roughly \$4 million in total hazard losses.

We strongly encourage the board to maintain the PACE program. We offer our help for input and policy analysis should there be constituent concerns about aspects of the program that need to be addressed.

Sincerely,

R.J. Lehmann
Director of Finance, Insurance and Trade Policy
R Street Institute