

STAFF REPORT

City of Lancaster

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Date: June 8, 2010

To: Mayor Parris and City Council Members

From: Robert C. Neal, Director of Public Works

Subject: **Adoption of Resolution Authorizing Participation in the Los Angeles County Energy Program**

Recommendation:

Adopt **Resolution No. 10-34**, a resolution of the City Council of the City of Lancaster, California, authorizing Lancaster to join the Los Angeles County Energy Program (LACEP).

Fiscal Impact:

There are no fiscal impacts to the City from adoption of the attached resolution.

Background:

Assembly Bill 811 (AB 811) was approved by the California State Legislature and signed by the Governor on July 21, 2008. AB 811 and its amendments authorize local governments to provide financing to qualified property owners for the installation of energy and water efficiency improvements and distributed generation renewable energy sources that are permanently fixed to their respective properties. Participating property owners repay the cost of the improvements through an assessment levied against their property which is payable in semi-annual installments on property tax bills and a lien is filed against the property as security. The assessment remains with the property should the owner transfer or sell it.

On May 25, 2010, the County of Los Angeles approved an AB 811 voluntary contractual assessment program, LACEP, to finance the installation of such improvements within the unincorporated areas of the County. These voluntary contractual assessments may also be entered into by property owners in incorporated cities subsequent to the adoption of a resolution of participation in LACEP by the legislative body of the incorporated city.

LACEP financing under AB 811 mitigates two key barriers that may prevent property owners from implementing a greater number of energy efficiency, water efficiency and renewable energy projects: 1) it eliminates the need for property owners to pay out of pocket up-front costs for improvements; and 2) it establishes a loan obligation that is attached to the property and not to the individual borrower. LACEP is intended to facilitate a significant industry shift in the region toward a greater energy efficiency and renewable energy resource economy. The availability of AB 811 financing can be a catalyst in spurring the local economy by creating "green" home energy retrofit jobs and stimulating development of local manufacturing, distribution, research and development activities. Energy retrofit improvements to existing properties in the County will allow property owners to reduce energy and water use as well as

greenhouse gas emissions. At the same time, participants will reduce their ongoing costs for electricity, natural gas and water and improve the comfort and safety of their home. Additional benefits to participants and to the City are detailed below.

Benefits to property owners include:

- Up-front funding for improvements will be provided by the County, allowing many property owners who currently can't afford to make such investments the opportunity to upgrade their property.
- Only property owners who choose to participate in the program will have assessments attached to their property.
- There currently may not be attractive private lending alternatives for many property owners to finance energy efficiency/water efficiency/renewable energy improvements.
- Even if private lending alternatives exist, most private loans are due upon sale of the property, which may make it difficult for property owners to match the life of the repayment obligation with the useful life of the financed improvements. Under LACEP, the assessment obligation will transfer to the new property owner upon sale.
- By virtue of countywide aggregation provided by LACEP, both residential and commercial properties will benefit from lower borrowing costs in the municipal bond market.

Benefits to the City of Lancaster include:

- The City's participation in LACEP is free.
- As in conventional assessment financing, the City is not obligated to repay the bonds issued by the County of Los Angeles or to pay the assessments levied on the participating properties.
- The County of Los Angeles handles all assessment administration, bond issuance and bond administration functions. As a participant, the City can provide property owners with access to financing of energy efficiency, water efficiency and renewable energy improvements through LACEP – thereby helping to meet its local environmental economic development goals -- without committing staff time to design, implement and administer the program.

The first phase of LACEP will fund improvements to residential properties. It is anticipated that loans to eligible residential applicants will begin disbursement after September 1, 2010. A subsequent phase of LACEP will fund improvements to non-residential (commercial) properties following full implementation of residential financing. County staff and consultants are currently working with commercial building and financial industry stakeholders to design the non-residential program. Future implementation of the non-residential phase of LACEP will not require any additional approvals from the City. At that time, all non-residential property owners within participating cities will be eligible to apply for voluntary contractual assessment financing from LACEP.

Property owners will have access to LACEP information through a variety of sources, including access to a comprehensive website that includes an online loan application process. Basic marketing and outreach material templates will be provided by the County at no charge for use by the City in its own promotion of the program within the community.

The contractual assessment proceedings will be undertaken by the County of Los Angeles pursuant to Chapter 29 of Division 7 of the Streets & Highways Code, which was amended in

2008 by Assembly Bill 811 and further amended in 2009 by Assembly Bill 474, to allow the financing of renewable energy, energy efficiency and water efficiency improvements on private property. Pursuant to Chapter 29, assessments may be levied to finance energy efficiency, water efficiency and renewable energy improvements only with the free and willing consent of the owner of each lot or parcel on which an assessment is levied and once property owners evidence their consent to the assessments by executing a contract with the County of Los Angeles.

The attached resolution authorizes the County of Los Angeles to accept applications from owners of property within Lancaster for financing of energy efficiency, water efficiency and renewable energy improvements through LACEP. It also authorizes the County to conduct assessment proceedings and levy assessments against the property of participating owners within City boundaries. Finally, it authorizes miscellaneous related actions and makes certain findings and determinations required by law. The County of Los Angeles will undertake a judicial validation proceeding as part of its initiation of LACEP. The City can withdraw from LACEP at any time by passing a resolution rescinding the authorization.

NR:ddd

Attachment:

Resolution No. 10-34

(Attachment to Resolution No. 10-34 available for review in the City Clerk Department)