

# STAFF REPORT

## City of Lancaster

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Date: June 24, 2014

To: Mayor Parris and Council Members

From: Jason Caudle, Deputy City Manager

Subject: **Resolutions Authorizing the City's Participation in the California Home Energy Renovation Opportunity, CaliforniaFIRST, and Figtree Property Assessed Clean Energy Financing Programs**

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### Recommendations:

- a. Adopt **Resolution No. 14-41**, consenting to the inclusion of properties within the City's jurisdiction in the California Home Energy Renovation Opportunity (HERO) Program to finance distributed generation renewable energy sources, energy and water efficiency improvements, and electric vehicle charging infrastructure and approving an amendment to a certain Joint Powers Agreement related thereto. Authorize the City Manager, or his designee, to execute all documents and make any non-substantive changes necessary to complete the transaction.
  
- b. Adopt **Resolution No. 14-42**, authorizing the City to join the CaliforniaFIRST Program and authorizing the California Statewide Communities Development Authority (CSCDA) to accept applications from property owners, conduct contractual assessment proceedings, and levy contractual assessments within the jurisdiction of the City. Authorize the City Manager, or his designee, to execute all documents and make any non-substantive changes necessary to complete the transaction.
  
- c. Adopt **Resolution No. 14-43**, authorizing the City to join the Figtree Property Assessed Clean Energy (PACE) Program and authorizing the California Enterprise Development Authority (CEDA) to conduct contractual assessment proceedings and levy contractual assessments within the jurisdiction of the City. Authorize the City Manager, or his designee, to execute all documents and make any non-substantive changes necessary to complete the transaction.

### Fiscal Impact:

There is no budgetary impact to the City by consenting to the inclusion of properties within the City limits in the California HERO Property Assessed Clean Energy (PACE), CaliforniaFIRST PACE, or Figtree PACE programs. The City will not incur any cost or involvement and there are no administrative responsibilities, marketing obligations, or financial exposures to the City.

**Background:**

California Assembly Bill (AB) 811 (July 21, 2008) and AB 474 (January 1, 2010) authorize Property Assessed Clean Energy financing (PACE) whereby legislative bodies may designate areas within which authorized public officials and free and willing property owners may enter into voluntary contractual assessments for the purpose of financing the installation of distributed generation renewable energy sources such as solar panels, energy efficiency improvements, and/or water conservation improvements that are permanently fixed to real property, as specified.

The intent of the legislation was to make renewable energy, energy efficiency, water conservation, and electric vehicle charging infrastructure improvements more affordable and promote the installation of those improvements. PACE financing allows residential and commercial property owners to finance 100% of the cost of eligible improvements, such as solar energy systems, Energy Star window and doors, and high-efficiency air conditioning units, through an assessment on the property that is paid over time through property taxes. Participation in the program is 100% voluntary and only those property owners who wish to participate in the program will pay an assessment.

Benefits to the property owners include:

- **Eligibility:** In today's economic environment, alternatives for property owners to finance renewable energy, energy efficiency, water efficiency improvements, or electric vehicle charging infrastructure may not be available. As such, many property owners do not have options available to them to lower their utility bills.
- **Savings:** Energy prices continue to rise and renewable energy, energy efficiency, and water conservation improvements help lower utility bills.
- **100% Voluntary:** Property owners choose to participate in the program at their discretion. Improvements and properties must meet eligibility criteria in order to qualify for financing.
- **Payment Obligation Stays with the Property:** Under Chapter 29, a voluntary contractual assessment stays with the property upon transfer of ownership. The new owner assumes the obligation to repay the remaining balance with the property taxes. Certain residential conforming mortgage providers will, however, require the assessment be paid off at the time the property is refinanced or sold.
- **Prepayment Option:** The property owner can choose to pay off the assessments at any time, subject to applicable prepayment penalties.
- **Property Owners' Personal Credit is Not Involved:** The amount financed is based on the assessed value of the subject property and doesn't involve the borrowers' personal financial rating (FICO) score. Commercial property owners appreciate the off-balance-sheet financing that doesn't impact their capacity to borrow for other business needs.
- **Improved Quality of Life:** Residents benefit from improvements, such as more effective cooling provided by new air conditioning units and less outside noise when new double-paned windows are installed.

The benefits to the City include:

- **Increased Local Jobs:** Programs utilize participating local contractors.
- **Increased Property Values:** More efficient properties are typically worth more and sell more quickly.

- No Obligation to the City: As in conventional assessment financing, the City is not obligated to repay the bonds or to pay any delinquent assessments levied on the participating properties.
- Minimal Staff Time: All PACE program and assessment administration, bond issuance and bond administration functions are handled by each respective financing program. Little, if any, City staff time is needed to participate in the PACE Program.
- Alternative Choices for Energy Efficiency Program Financing: By leveraging existing, already successful PACE Programs, the City can offer financing options to property owners more quickly, easily and much less inexpensively than establishment of a new local Program.

The City may join more than one PACE program in order to provide property owners with the ability to choose the program that best fits their needs. The City of Lancaster has been invited to participate in three existing PACE financing programs: the California HERO Program, the CaliforniaFIRST Program, and the Figtree PACE program.

The HERO Program (for PACE financing) has been very successful in Western Riverside County, since its launch in late 2011. Because of its success, the California HERO program was developed to provide additional California cities and counties with a turnkey program that saves significant time, cost, and local resources that would otherwise be needed to develop a new local program. The HERO program is now the largest and most successful privately-funded residential PACE program in the country. To date, sixty-six (66) California cities have joined the HERO program and the program has invested more than \$184 million to fund over 9,800 projects. Jurisdictions only need to adopt the resolution, and approve an amendment to the Joint Exercise of Powers Agreement, related to the California HERO Program.

The CaliforniaFIRST program was established in 2012 by the California Statewide Communities Development Authority (CSCDA), a joint powers authority sponsored by the League of California Cities and the California State Association of Counties. The member agencies of CSCDA include all 58 counties and more than 400 other local agencies throughout California, including the City of Lancaster. The CSCDA instituted the CaliforniaFIRST program, a PACE program, to serve its member cities and counties. Through CaliforniaFIRST, CSCDA issues bonds to provide financing for private property owners that wish to install renewable energy, energy efficiency, and water efficiency improvements on their property and to repay the financing as an assessment on their property tax bill. CSCDA has selected Renewable Funding, LLC to provide administration and coordinate financing for the program.

The Figtree PACE Program, founded in 2011, is sponsored by the California Enterprise Development Authority (CEDA), a joint powers authority of which the City of Lancaster is already a member. While the HERO program primarily finances improvements to residential properties, the Figtree PACE Program concentrates on commercial, industrial, retail, and multi-family properties. To date, Figtree has provided \$1.5 million in PACE financing to California businesses. Since the City is already a member of CEDA, it only needs to adopt a resolution to join the Figtree PACE Program.

Joining an existing PACE program simply allows the program to conduct business in the City with voluntary customers. Although the City could provide property owners with access to this type of financing by establishing its own PACE program, participating in these existing programs allows the City to offer PACE financing options to property owners without an impact to the City's budget.

JC:kw

**Attachments:**

Resolution No. 14-41

Resolution No. 14-42

Resolution No. 14-43