

STAFF REPORT

City of Lancaster

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Date: March 8, 2016

To: Mayor Parris and Council Members

From: Barbara Boswell, Lancaster Choice Energy Director

Subject: **Resolution Authorizing the City's Participation in the California Statewide Communities Development Authority Open Property Assessed Clean Energy Program**

Recommendation:

Adopt **Resolution No. 16-10**, consenting to the inclusion of properties within the City's jurisdiction in the California Statewide Communities Development Authority (CSCDA) Open Property Assessed Clean Energy (PACE) Program to finance seismic strengthening, energy efficiency and water efficiency improvements, renewable energy upgrades, and electric vehicle charging infrastructure for residential and commercial buildings; 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's jurisdiction in the CSCDA Open PACE program. The City will have no administrative responsibilities, marketing obligations, or financial obligations associated with the PACE programs.

Background:

On June 24, 2014, Lancaster City Council adopted Resolution Nos. 14-41, 14-42, and 14-43, on May 26, 2015, Lancaster City Council adopted Resolution No. 15-26, and on September 8, 2015, Lancaster City Council adopted Resolution No. 15-49 authorizing participation in five different Property Assessed Clean Energy (PACE) financing programs: California HERO, CaliforniaFIRST, Figtree Financial, California Home Financing Authority, and California Municipal Finance Authority. The PACE programs allow property owners to 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. Property owners who participate in the program repay the loans through the assessment collected together with their property taxes.

Council authorized participation in multiple PACE programs to provide property owners with the ability to choose the program that best fits their needs. This past fiscal year, PACE programs funded more than \$2.5 Million in various energy efficiency programs for Lancaster homeowners, and approximately \$4 Million in funding for additional projects have been approved thus far.

The CSCDA is the largest Joint Powers Authority in California founded and sponsored by the League of California Cities and the California State Association of Counties, to provide California's local governments with an effective tool for the timely financing of community-based public benefit projects. CSCDA has over 500 member agencies, including the City of Lancaster.

CSCDA's Commissioners pre-qualified and appointed three PACE Administrators to manage the CSCDA Open PACE program in order to offer members turn-key PACE solutions that provide residential and commercial property owners the choice among prequalified PACE financing providers, creating competition on terms, service and interest rates. The prequalified program administrators operating the following programs are AllianceNRG Program^{TM3}, PACE Funding LLC, and Renewable Funding LLC (administering CaliforniaFIRST).

Benefits to the property owners include:

- Competition: CSCDA Open PACE provides three options to property owners: AllianceNRG Program, PACE Funding and CaliforniaFIRST. Property owners can shop for the best price and service through the availability of the PACE administrators.
- Eligibility: In today's economic environment, alternatives for property owners to finance renewable improvements may not be available. Many property owners do not have financing options available to them to lower their utility bills.
- Savings: Energy prices continue to rise and installing energy efficient, water efficient and renewable energy models lower utility bills.
- 100% voluntary: Only property owners who choose to finance improvements will have assessments placed on their property.
- Payment obligation can stay with the property: Under Chapter 29, a voluntary contractual assessment stays with the property upon transfer of ownership. Most private loans are due on sale of the property. Certain mortgage providers will, however, require the assessment be paid 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.
- Favorable terms: The economic terms of PACE financing will often be more favorable than other options.
- Not a personal loan or mortgage: The PACE assessment in effect is not a personal obligation of the property owner through a conventional loan or mortgage but an assessment on the property secured by an assessment lien and collected as part of the regular tax roll on the property.

Benefits to the City include:

- Project eligibility: The CSCDA Open PACE platform can provide financing for all aspects of PACE including: 1) Residential, 2) Commercial, and 3) Seismic strengthening programs such as Mandatory Soft Story programs,
- Prequalified PACE Administrators: CSCDA has pre-qualified the PACE Administrators based on their business practices, qualifications, experience, and capital commitment to the PACE market.
- Increase local jobs: Property improvements provide jobs in the local economy.
- Increase in housing prices: Updated and higher efficient homes are generally more valuable.
- Increase revenue to the City: Property improvements result in an increase in sales, payroll and property tax revenue to the City.
- No City obligation: As in conventional assessment financing, the City is not obligated to repay the bonds or to pay the assessments levied on the participating properties. Unlike conventional assessment financing, the City has no administrative duties and its name is not on the bonds, as CSCDA's name is on the bonds.
- No internal management requirements: The City can provide access for its residents to CSCDA Open PACE without the higher staff costs that an independent program established by the City would require.
- Availability of information on projects financed: The City may receive, at its option, periodic updates on CSCDA Open PACE projects that have been completed in their community.
- Demonstration of community commitment to the environment: Participating in CSCDA Open PACE demonstrates the City commitment to do everything in its power to improve the environment.

The proposed resolution enables CSCDA Open PACE programs to be available to owners of residential and commercial property within the jurisdiction of Lancaster to finance authorized improvements.

BB:mb

Attachment:
Resolution 16-10