



CITY OF LONG BEACH

C-7

OFFICE OF THE CITY MANAGER

333 West Ocean Boulevard • Long Beach, CA 90802 • (562) 570-6711 FAX (562) 570-7650

September 11, 2018

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Adopt a Resolution authorizing the City to join the CounterpointeSRE Program, the CleanFund Commercial PACE Capital Program, and the Petros PACE Finance Program; authorizing the California Statewide Communities Development Authority to accept applications from commercial property owners, conduct contractual assessment proceedings and levy contractual assessments within the jurisdiction of the City of Long Beach; and, authorizing related actions. (Citywide)

DISCUSSION

Assembly Bill 811 (AB 811) was approved by the 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, as well as distributed generation renewable energy sources. Participating property owners repay the cost of the improvements through an assessment levied against their property, payable in semi-annual installments on property tax bills, with a lien filed against the property as security. The assessment remains with the property should the owner transfer or sell it. In turn, government jurisdictions, such as cities, counties, or joint powers authorities, issue municipal bonds backed by the assessments.

This financing mechanism, Property Assessed Clean Energy (PACE), 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 lien obligation that is attached to the property and not the individual borrower.

On June 22, 2010, the City Council adopted a Resolution authorizing participation in the Los Angeles County Clean Energy Program (which has since been renamed as L.A. County PACE). The program provides commercial property owners financing for projects over \$500,000. Though Long Beach commercial property owners have utilized the L.A. County PACE program, many projects are not large enough to be eligible. The closing costs for the L.A. County PACE commercial program range from approximately \$20,000 to \$30,000 per project, making it reasonable for projects over \$500,000, but unaffordable for smaller projects. Until 2015, L.A. County PACE was the only PACE program authorized to operate in Long Beach.

On April 7, 2015, the City Council adopted a Resolution authorizing participation in three additional commercial PACE programs: the Figtree PACE Program, the CaliforniaFIRST Program, and the California HERO Program. Authorizing additional PACE programs to operate in Long Beach allowed smaller commercial projects to be completed. If a commercial property owner chooses to participate in these programs, the installed improvements are financed by the issuance of bonds by the California Statewide Communities Development Authority (CSCDA), California Enterprise Development Authority (CEDA), or Western Riverside Council of Governments (WRCOG). The bonds are secured by a voluntary contractual assessment levied on the owner's commercial property, with no recourse to the local government or other participating jurisdictions. Participation in the programs is completely voluntary. Commercial property owners who wish to participate in PACE agree to repay the amount borrowed through the voluntary contractual assessment collected together with their property taxes. In Long Beach, the California HERO Program has completed one commercial project, the California First Program has one commercial project about to close, and the Figtree PACE program has quoted one commercial project.

Authorization of multiple PACE programs provides more choice for consumers and injects competition into the marketplace, leading to better rates for consumers. The recommended additional commercial PACE programs are operated by the CSCDA, a statewide joint powers authority sponsored by the California State Association of Counties and League of California Cities. The City of Long Beach (City) has been a CSCDA member since 1992. The recommended CSCDA-sponsored PACE financing programs are the CounterpointeSRE Program, the CleanFund Commercial PACE Capital Program, and the Petros PACE Finance Program. As with the CaliforniaFIRST Program, already operating in Long Beach, the improvements installed on an owner's commercial property using one of these programs are financed by the issuance of bonds by CSCDA. Staff recommends continuing participation by commercial property owners in the PACE programs. At this time, we are not recommending residential properties be included in the programs as, historically, there have been concerns with sufficient underwriting and financial qualification standards for residential projects compared to commercial projects.

Authorization of these programs will not conflict with the L.A. County PACE or the three previously City Council-authorized commercial PACE programs operating in Long Beach. For these programs, the City has no administrative duties or financial commitments. The City can withdraw from these programs at any time by passing a Resolution rescinding the authorization.

SUSTAINABILITY

Long Beach's Sustainable City Action Plan, which was approved by the City Council on February 2, 2010, includes goals to facilitate the development of at least eight megawatts of solar energy within the community by 2020, reduce community electricity use by 15 percent, and achieve a 20 percent demand reduction in per capita water use by 2020. Adopting a Resolution to opt into an additional commercial PACE program enables the City to offer a vehicle for meeting or approaching these goals.

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This matter was reviewed by Deputy City Attorney Linda T. Vu on August 13, 2018 and by Budget Analysis Officer Julissa José-Murray on August 15, 2018.

TIMING CONSIDERATIONS

City Council action is requested on September 11, 2018, to allow Long Beach commercial property owners to take advantage of the program as soon as possible.

FISCAL IMPACT

The recommended PACE programs do not require the use of City funds. There is no fiscal or local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



PATRICK H. WEST
CITY MANAGER

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RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LONG BEACH AUTHORIZING THE CITY TO JOIN THE COUNTERPOINTE SRE PROGRAM, THE CLEANFUND COMMERCIAL PACE CAPITAL PROGRAM, AND THE PETROS PACE FINANCE PROGRAM; AUTHORIZING THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY TO ACCEPT APPLICATIONS FROM PROPERTY OWNERS, CONDUCT CONTRACTUAL ASSESSMENT PROCEEDINGS AND LEVY CONTRACTUAL ASSESSMENTS WITHIN THE JURISDICTION OF THE CITY OF LONG BEACH; AND AUTHORIZING RELATED ACTIONS

WHEREAS, the California Statewide Communities Development Authority (“California Communities”) is a joint exercise of powers authority, the members of which include numerous cities and counties in the State of California, including the City of Long Beach (the “City”); and

WHEREAS, California Communities has established the Counterpointe SRE Program, the CleanFund Commercial PACE Capital Program, and the Petros PACE Finance Program (collectively, the “Programs”), and will provide financing for certain improvements authorized by Chapter 29 of Division 7 of the Streets & Highways Code (“Chapter 29”), including, but not limited to, renewable energy, energy efficiency and water efficiency improvements and seismic strengthening improvements (the “Improvements”) through the levy of contractual assessments pursuant to Chapter 29 of Division 7 of the Streets & Highways Code (“Chapter 29”) and the issuance of improvement bonds (the “Bonds”) under the Improvement Bond Act of 1915 (Streets and

1 Highways Code Sections 8500 and following) (the "1915 Act") upon the security of the
2 unpaid contractual assessments; and

3 WHEREAS, Chapter 29 provides that assessments may be levied under its
4 provisions only with the free and willing consent of the owner of each lot or parcel on
5 which an assessment is levied at the time the assessment is levied; and

6 WHEREAS, the City desires to allow the owners of certain types of
7 participating property ("Participating Property Owners") within the jurisdiction of the City
8 to participate in the Programs and to allow California Communities to conduct
9 assessment proceedings under Chapter 29 within the jurisdiction of the City and to issue
10 Bonds under the 1915 Act to finance the Improvements; and

11 WHEREAS, California Communities will conduct assessment proceedings
12 under Chapter 29 and issue Bonds under the 1915 Act to finance Improvements; and

13 WHEREAS, the City will not be responsible for the conduct of any
14 assessment proceedings; the levy or collection of assessments or any required remedial
15 action in the case of delinquencies in such assessment payments; or the issuance, sale
16 or administration of the Bonds or any other bonds issued in connection with the
17 Programs;

18 NOW, THEREFORE, the City Council of the City of Long Beach resolves as
19 follows:

20 Section 1. This City Council hereby finds and declares that commercial
21 properties ("Participating Parcel") in the City will benefit from the availability of the
22 CounterpointeSRE Program, the CleanFund Commercial PACE Capital Program, and the
23 Petros PACE Finance Program (collectively, the "Programs") within the jurisdiction of the
24 City and, pursuant thereto, the conduct of special assessment proceedings by California
25 Communities pursuant to Chapter 29 and the issuance of Bonds under the 1915 Act.

26 Section 2. In connection with the Programs, the City hereby consents to
27 the conduct of special assessment proceedings by California Communities pursuant to
28 Chapter 29 on any Participating Parcel within its jurisdiction and the issuance of Bonds

1 under the 1915 Act; provided, that:

2 A. The Participating Property Owners, who shall be the legal
3 owners of such property, execute a contract pursuant to Chapter 29 and
4 comply with other applicable provisions of California law in order to
5 accomplish the valid levy of assessments; and

6 B. The City will not be responsible for the conduct of any
7 assessment proceedings; the levy or collection of assessments or any
8 required remedial action in the case of delinquencies in such assessment
9 payments; or the issuance, sale or administration of the Bonds or any other
10 bonds issued in connection with the Programs.

11 C. The issuance of Bonds will occur following receipt of a final
12 judgment in a validation action filed by California Communities pursuant to
13 Code of Civil Procedure Section 860 that the Bonds are legal obligations of
14 California Communities.

15 Section 3. Pursuant to the requirements of Chapter 29, California
16 Communities has prepared and will update from time to time the "Program Report" for the
17 Programs (the "Program Report"), and California Communities will undertake assessment
18 proceedings and the financing of Improvements as set forth in the Program Report.

19 Section 4. The appropriate officials and staff of the City are hereby
20 authorized and directed to make applications for the Programs available to all property
21 owners who wish to finance Improvements; provided, that California Communities shall
22 be responsible for providing such applications and related materials at its own expense.
23 The following staff persons, together with any other staff persons chosen by the City
24 Manager from time to time, are hereby designated as the contact persons for California
25 Communities in connection with the Programs: Larry Rich, Sustainability Coordinator,
26 (562) 570-5839, Larry.Rich@longbeach.gov.

27 Section 5. The appropriate officials and staff of the City are hereby
28 authorized and directed to execute and deliver such closing certificates, requisitions,

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1 agreements and related documents as are reasonably required by California
2 Communities in accordance with the Program Report to implement the Programs for
3 Participating Property Owners.

4 Section 6. The City Council hereby finds that adoption of this resolution
5 is not a "project" under the California Environmental Quality Act, because the resolution
6 does not involve any commitment to a specific project which may result in a potentially
7 significant physical impact on the environment, as contemplated by Title 14, California
8 Code of Regulations, Section 15378(b)(4)).

9 Section 7. The City Clerk is hereby authorized and directed to transmit a
10 certified copy of this resolution to the Secretary of California Communities.

11 Section 8. This resolution shall take effect immediately upon its adoption
12 by the City Council, and the City Clerk shall certify the vote adopting this resolution.

13 I hereby certify that the foregoing resolution was adopted by the City
14 Council of the City of Long Beach at its meeting of _____, 2018
15 by the following vote:

16 Ayes: Councilmembers: _____
17 _____
18 _____
19 _____

20 Noes: Councilmembers: _____
21 _____

22 Absent: Councilmembers: _____
23 _____
24 _____

City Clerk