



Legislation Text

File #: 18-0792, **Version:** 2

Recommendation to adopt 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)

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.

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.

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.

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

Approve recommendation.

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