



Legislation Text

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Recommendation to request City Attorney to draft the following resolutions:

1. Resolution consenting to Inclusion of Properties within the City's Incorporated Area in California Home Finance Authority (CHF) Community Facilities District No. 2014-1 (Clean Energy) to Finance Renewable Energy Generation, Energy Efficiency, Water Conservation and Electric Vehicle Charging Infrastructure Improvements and approving associate membership in CHF; and
2. Resolution consenting to Inclusion of Properties within the City's Incorporated Area in the CHF Property Assessed Clean Energy (PACE) Program to Finance Renewable Energy Generation, Energy and Water Efficiency Improvements and Electric Vehicle Charging Infrastructure and approving associate membership in CHF.

California Home Finance Authority ("CHF"), which is in the process of formally changing its name to Golden State Finance Authority, is a joint exercise of powers authority established pursuant to Chapter 5 of Division 7, Title 1 of the Government Code of the State of California (Section 6500 and following) (the "Act") and the Joint Powers Agreement entered into on July 1, 1993, as amended from time to time (the "Authority JPA").

CHF has established two Property Assessed Clean Energy ("PACE") financing programs for residential, commercial, industrial and agricultural properties to address high up-front costs for property owners who wish to improve their properties through installation of measures that will generate renewable energy or reduce their energy and water use. By offering low cost financing, the CHF PACE programs allow construction of these projects to proceed and, in the process, stimulate building activity and the overall local economy, reduce peak energy demand, increase property values, and generate savings on utility bills for property owners.

CHF contracts with Ygrene Energy Fund CA LLC (Ygrene) to serve as the program administrator and to operate the Ygrene Works for California PACE financing program.

PACE Financing Programs

CHF has established two PACE programs under the legislative authority of two separate California PACE laws:

- **SB 555 PACE Community Facilities District:** Senate Bill 555 amended the Mello-Roos Community Facilities Act, set forth in sections 53311 through 53368.3 of the California Government Code and particularly in accordance with sections 53313.5(l) and 53328.1(a)

("Mello-Roos Act"), to allow for the creation of Community Facilities Districts ("CFDs") for the purpose of financing or refinancing the acquisition, installation, and improvement of energy efficiency, water conservation, renewable energy and electric vehicle charging infrastructure improvements permanently affixed to private or publicly-owned real property.

Individual properties can be annexed into the district and be subject to the special tax that is imposed to repay project financing only if (i) the Council adopts a resolution consenting to the inclusion of parcels in the incorporated areas of the City within the CFD and (ii) each participating owner provides its unanimous written approval for annexation of its property into the PACE CFD.

• **AB 811 PACE Contractual Assessment Program:** By the passage of Assembly Bill 811, the California State Legislature added Chapter 29 to the Improvement Bond Act of 1911, being Division 7 of the California Streets and Highways Code. This legislation authorized cities and counties to establish voluntary contractual assessment programs for the purpose financing private property improvements that promote renewable energy generation, energy and water efficiency, electric vehicle charging infrastructure, and seismic strengthening improvements.

As with the SB 555 CFD, properties can be annexed into the AB 811 PACE program and be subject to the property tax assessment that is imposed to repay project financing only if (i) the Council adopts a resolution consenting to the inclusion of parcels in the incorporated areas of the City within the program and (ii) each participating owner consents in writing to the annexation of its property into the PACE program.

JPA ASSOCIATE MEMBERSHIP

To participate in the PACE programs, the City must become an Associate Member of CHF (JPA Agreement attached). Associate membership requires no dues or other costs to the City but permits participation in all CHF programs including the PACE programs. The attached resolutions approve joining the JPA as an Associate Member. Pursuant to the JPA Agreement and CHF Board Resolution 15-01, the Executive Director has the authority to approve the addition of new Associate Members to the JPA.

PROGRAM AUTHORIZATION BEING SOUGHT

CHF sought and has completed the process of validation for both the SB 555 and the AB 811 programs in the Superior Court for the County of Sacramento. As of August 25, 2015, the CHF SB 555 PACE program is fully operational. CHF's AB 811 program will be operational in the near future and will be used for financing seismic strengthening improvements. CHF chose to form, validate and maintain both the SB 555 and AB 811 programs offerings to ensure that the "Ygrene Works for California" program remains the most innovative, cost effective and most secure PACE program in the state.

Should market conditions, consumer demand and/or legislative changes affect one PACE program more than another, CHF has the flexibility to offer the program that best supports the CHF vision of service without any interruption to participating counties and cities and their property owners. CHF intends to maximize the benefits of both program offerings.

In support of CHF's approach, the Council is being asked to pass two resolutions that would approve the following actions:

1. The first resolution authorizes the City to join the JPA as an Associate Member and permits property owners within the incorporated areas of the City to participate in the CHF SB 555 Community Facilities District.
2. The second resolution authorizes the City to join the JPA as an Associate Member and permits property owners within the incorporated areas of the City to participate in the CHF AB 811 Authority PACE Program.

Each resolution also authorizes CHF (1) to accept applications from property owners within the City's incorporated area to finance authorized improvements; and (2) to conduct proceedings and levy special taxes or contractual assessments, as applicable, on the property of participating owners.

Cities and counties that have approved the Ygrene Works program to date have adopted both resolutions. Authorizing both programs ensures that no matter the market or legislative environment for PACE, the Ygrene Works Program will be established and able to operate successfully in your city without the need for additional review or the need for the City Council to consider approving another resolution thereby saving valuable staff time and resources.

Following are additional PACE program considerations:

- Supports development of renewable energy sources, installation of energy and water efficiency improvements, reduction of greenhouse gases, and protection of the environment.
- Only property owners who voluntarily choose to participate in the program will be subject either to assessments or special taxes, depending on which program CHF decides to implement.
- Program financing provides for an affordable method for many property owners to reduce their energy costs and improve their properties.
- Because program financing can be readily transferred upon sale, even owners who are planning to sell have the ability to make responsible and beneficial improvements to their property.
- While early payment premiums may apply in some circumstances, property owners can

choose to payoff the program financing at any time.

- The City incurs no financial obligations as a result of program participation.
- Once the Council passes the resolutions, the City will incur no costs, and no staff time is required for administration or funding of the PACE program.

There are no fiscal impacts associated with the recommended actions. There is no cost to the City to become an associate member of the JPA or by opting into the PACE programs described in this report. The City will have no administrative responsibilities, marketing obligations, or financial obligations associated with the PACE program.

Approve recommendation.

[Timing Considerations]

COUNCILMAN DEE ANDREWS
SIXTH DISTRICT