



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
County Manager



Date: June 4, 2015
Board Meeting Date: July 7, 2015
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Jim Eggemeyer, Director, Office of Sustainability

Subject: New Property Assessed Clean Energy (PACE) Program

RECOMMENDATION:

Adopt a resolution authorizing an agreement with the California Statewide Communities Development Authority (CSCDA) authorizing the inclusion of properties within the County's unincorporated areas in the CSCDA Open PACE Programs, including CSCDA Open PACE and CaliforniaFIRST, and allowing CSCDA to conduct contractual proceedings and levy contractual assessments within the County's unincorporated areas.

BACKGROUND:

Pursuant to Assembly Bill (AB) 811 (2008), local legislative bodies are authorized to designate areas within which authorized public officials and free and willing property owners may enter into voluntary contractual assessments to finance the installation of distributed generation renewable energy sources, energy efficiency, and/or water conservation improvements that are permanently fixed to real property, as specified. The financing for these improvements, as authorized by the above legislation, has come to be known as PACE, which stands for Property Assessed Clean Energy.

On November 10, 2009, the Board adopted Resolution 070504, authorizing the County's first Energy Assistance Program with participation in CaliforniaFIRST, a PACE program sponsored by the California Statewide Communities Development Authority (CSCDA). On September 9, 2014, the Board authorized two additional PACE programs through the adoption of Resolution 073355 for the HERO PACE program and Resolutions 073356 and 073357 for the FigTree Financing PACE program. In tandem with neighboring jurisdictions and cities within the County, it is recommended that the Board continue its open market model for PACE to expand offerings to our residents and to foster competition by authorizing the County's participation in a new program: the CSCDA Open PACE program. The County is already a member of

CSCDA and currently participates in one of its PACE programs, CaliforniaFIRST. There is no impediment to having multiple PACE programs active within a jurisdiction.

DISCUSSION:

The California Statewide Communities Development Authority (CSCDA), the largest Joint Powers Authority in California, founded and sponsored by the League of California Cities and CSAC, is implementing PACE under the provisions of Chapter 29 of Division 7 of the Streets & Highways Code (AB 811) on behalf of its member counties and cities. CSCDA and free and willing property owners may enter into voluntary contractual assessments to finance the installation of renewable energy, energy efficiency, water efficiency, and seismic strengthening improvements as well as electric vehicle charging infrastructure, in each case affixed to real property.

CSCDA's Commissioners pre-qualified and appointed two 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 PACE programs are the AllianceNRG Program™ and Renewable Funding LLC (administering CaliforniaFIRST).

CSCDA Open PACE is being offered to allow property owners in participating cities and counties to finance renewable energy, energy water efficiency improvements, seismic improvements and electric vehicle charging infrastructure on their property. Participation in the assessment is 100% voluntary by the property owner. The improvements installed on the owner's property are financed by the issuance of bonds by CSCDA. The bonds are secured by a voluntary contractual assessment levied on the owner's property. Property owners who wish to participate in PACE agree to repay the money through the voluntary contractual assessment collected with property taxes. The voluntary contractual assessments will be levied by CSCDA and collected in annual installments through the applicable county secured property tax bill.

By adopting the CSCDA Open PACE program, new PACE programs that are pre-qualified by CSCDA based on business practices, qualifications, experience, and capital commitment to the PACE market are able to operate in unincorporated County without any additional approval by the Board. The Board already adopted the CaliforniaFIRST program in 2009. By adopting CSCDA Open PACE, the County will effectively be adding the AllianceNRG Program™ to the existing list of PACE providers in unincorporated County, since CaliforniaFIRST is already a part of CSCDA Open PACE.

The benefits to property owners participating in this PACE program 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 selecting energy efficient, water efficient and renewable energy models can lower utility bills.
- § 100% voluntary. Property owners can choose to participate in the program at their discretion.
- § Payment obligation stays with the property. Under Chapter 29, a voluntary contractual assessment stays with the property upon transfer of ownership. Even if there were private enterprise alternatives, most private loans are due on sale of the benefited property, which makes it difficult for property owners to match the life of the repayment obligation with the useful life of the financed improvements. Certain 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.

The benefits to the County include:

- § Increase local jobs, resulting from property improvements associated with the PACE programs.
- § An increase in property values (higher efficiency homes are more valuable).
- § An increase in sales, payroll and property tax revenue
- § As in conventional assessment financing, the County is not obligated to repay the bonds or to pay the assessments levied on the participating properties.

Authorization of the CSCDA Open PACE program will complement the County's existing PACE offerings through CaliforniaFirst, HERO, and Figtree Financing. Additionally, the program is non-exclusive; meaning adoption the CSCDA Open PACE would not preclude the County from implementing other programs that become viable in the future.

County Counsel has reviewed and approved the resolutions and agreements as to form.

- § Approval of this agreement contributes to the Shared Vision 2025 outcome of a Collaborative Community. Adopting new PACE programs fosters ongoing relationships with cities in the County, facilitates regional consistency in available PACE program, and increases the amount of choices for residents in securing PACE financing.

FISCAL IMPACT:

There is no net County cost. The intent of all current PACE programs is to provide a "turn-key" operation with no County funds required and very limited staff time necessary.