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Title: Actions pertaining to the California Statewide Communities Development Authority Open Property Assessed Clean Energy Program Resolution:
1. RESOLUTION -Authorizing California Statewide Communities Development Authority to accept applications from property owners, conduct contractual assessment proceedings and levy contractual assessments within the City of Fresno and authorizing related actions, and
2. Authorizing the City Manager, or designee, to execute documents on behalf of the City of Fresno

Sponsors: Planning and Development Department

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Attachments: 1. CSCDA Open PACE Program Resolution, 2. Joint Powers Association Page

Date	Ver.	Action By	Action	Result
2/8/2018	1	City Council	adopted	

REPORT TO THE CITY COUNCIL

February 8, 2018

FROM: JENNIFER CLARK, Director
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THROUGH: KELLI FURTADO, Assistant Director
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SUBJECT

Actions pertaining to the California Statewide Communities Development Authority Open Property Assessed Clean Energy Program Resolution:

1. RESOLUTION -Authorizing California Statewide Communities Development Authority to accept applications from property owners, conduct contractual assessment proceedings and levy contractual assessments within the City of Fresno and authorizing related actions, and
2. Authorizing the City Manager, or designee, to execute documents on behalf of the City of Fresno

RECOMMENDATIONS

Staff recommends the Council approve the California Statewide Communities Development Authority (CSCDA) Open Property Assessed Clean Energy (PACE) Program Resolution and authorize the City Manager, or designee, to execute documents on behalf of the City of Fresno (City).

EXECUTIVE SUMMARY

The Development and Resource Management (DARM) Department's Sustainability Division staff recommends that participation in the CSCDA Open PACE Program is a means of offering property owners the opportunity to make energy and water efficiency retrofits to their property and create new local jobs. Property owners that participate in the Open PACE Program will repay the financed amount needed for energy and water efficiency upgrades as a charge on their property tax bill over a period of years. The Open PACE Program utilizes third-party administrators pre-qualified and vetted by the CSCDA which minimizes the administrative burden for the City and offers additional consumer choice and competition for the residents and businesses within Fresno.

The proposed Resolution authorizes the CSCDA to accept applications from owners of property within Fresno for municipal financing of authorized improvements through the CSCDA Open PACE Program. It also authorizes the CSCDA to conduct assessment proceedings and levy assessments against the property of participating owners within the incorporated territory of the city. All of the work of implementing and executing the program will be handled by CSCDA and its pre-qualified and vetted program administrators.

BACKGROUND

CSCDA is a Joint Powers Authority formed and sponsored by the League of California Cities and the California Statewide Association of Counties to provide California's local governments with an effective tool for the timely financing of community-based public benefit projects. The City has been a member of CSCDA for almost 30 years (City Council resolution # 89-4 of 1/3/1989). During this longstanding relationship, CSCDA has been the conduit bond issuer for various institutions throughout Fresno, financing 41 projects which total approximately \$759.5 million. Currently more than 500 cities, counties and special districts have become Program Participants to CSCDA, which serves as their conduit issuer and provides access to an efficient mechanism to finance locally approved projects.

PACE is an innovative way to finance energy efficiency, water efficiency, and renewable energy upgrades for residential and commercial buildings. Property owners who participate in the program repay the loans through a voluntary contractual assessment collected together with their property taxes. One of the most notable characteristics of PACE programs is that the loan is attached to the property rather than belonging to an individual. Therefore, when the owner sells the property, the loan may be paid off during the sale or stay with the property and be paid off by the new owner, who also benefits from the upgrades that were completed.

PACE financing enables individuals and businesses to defer the upfront costs of energy efficiency, water efficiency and renewable energy improvements. The authorizing statute of Assembly Bill 811, which passed in 2008 to amend the Improvement Bond Act of 1915, also enables the property owner to finance upfront fees and ancillary costs, resulting in no out of pocket expense for the property owner. PACE loans are paid over a financing term (tied to the expected useful life of the

improvements being financed) while energy costs are simultaneously lower, which typically provides the property owner with net savings. These financing terms of up to 30 years, significantly exceed the financing terms available from existing financing alternatives. PACE overcomes challenges that have hindered adoption of energy efficiency and renewable energy measures for many property owners.

As the City's partner, and the Joint Powers Authority with oversight over the recommended CSCDA Open PACE Program, CSCDA has highlighted key factors for consideration:

1. Consumer Protections - CSCDA has adopted the most stringent consumer protections in California and nationwide. The CSCDA Commission realized in 2015 that homeowners should be provided consumer protections that are meaningful and provide a spectrum of protections. These now include the requirements adopted by the California Legislature under AB 2693.

2. Oversight - CSCDA staff and a subcommittee consisting of two CSCDA Commissioners provide an oversight mechanism for Open PACE. This includes bi-weekly calls and semi-annual reviews of each administrator under the Open PACE program. Within the contract with all of the Open PACE administrators, CSCDA has the ability to terminate the contract with an administrator if they are acting improperly or outside the scope of the adopted CSCDA's Consumer Protection Policies which are strengthened by Assembly Bill 1284 (signed into law by Governor Brown early October 2017).

3. Partnership - CSCDA realizes PACE is a new financing tool and as part of that will go through growing pains. CSCDA works closely with the California Legislature and the Governor's Office to ensure Open PACE is a viable tool that has all the necessary protections for homeowners and continues to be an efficient implementation mechanism for municipal partners.

The City has previously authorized several PACE financing programs to operate within its boundaries. The additional financing programs made accessible by the CSCDA Open PACE Program offer not only residential financing options, but also additional commercial financing options.

The roster of Program Administrators for the CSCDA Open PACE Program is as follows: Renew Financial, the AllianceNRG Program, PACE Funding Group, Spruce Finance, and CleanFund Commercial. These experienced and accomplished Program Administrators offer financing options for both residential and commercial properties, as well as specialty improvements such as soft story and seismic retrofits not offered by most other PACE providers. The inclusion of the programs presented by the CSCDA Open PACE Program will give optimal benefits to local property owners in terms of choice and additional opportunities available.

A lasting benefit of adopting the CSCDA Open PACE Program is to the local home improvement businesses and contractors located in and around Fresno. Inclusion of this program offers further financing options to their customers and, in turn, will create more job opportunities for the City's citizens. According to economic models developed by the U.S. Bureau of Economic Analysis, investments financed through CSCDA and PACE have created an estimate of 27,000 jobs in the residential sector and 2,700 jobs in the commercial sector throughout California.

Within only two years of operation, the CSCDA Open PACE Program has been approved in over 180 municipalities throughout 37 California counties including the County of Fresno, and the cities of

Clovis, Coalinga, Firebaugh, Fowler, Kingsburg, Parlier, Reedley, Sanger and Selma. By adopting the recommended Resolution, Council would bring additional consumer choice and competition to the residents and businesses of Fresno for their important energy efficient, water conserving and renewable energy projects.

ENVIRONMENTAL FINDINGS

By the definition provided in the California Environmental Quality Act ("CEQA") Guidelines Section 15378, this item does not qualify as a "project" for the purposes of CEQA.

LOCAL PREFERENCE

Local preference was not implemented because the amendment of an agreement does not include a competitive bid.

FISCAL IMPACT

Authorizing participation in the Open PACE program will have no fiscal impact on the General Fund; implementation of the program will be administered by CSCDA. All costs associated with these agreements will be paid for with funding from Pacific Gas and Electric Company and the California Public Utilities Commission. The Master Service Agreement with PG&E is a reimbursement based program and funding is available in 2018.

Attachments:

Attachment 1: CSCDA Open PACE Program Resolution

Attachment 2: Joint Powers Association Signature Page