



CITY COUNCIL AGENDA REPORT

MEETING DATE: October 20, 2015

ITEM NUMBER: CC-9

SUBJECT: ADOPT RESOLUTION 201_-_____ CONSENTING TO THE INCLUSION OF PROPERTIES WITHIN THE CITY OF COSTA MESA TO JOIN THE CALIFORNIAFIRST PROGRAM; AUTHORIZING THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY TO ACCEPT APPLICATIONS FROM PROPERTY OWNERS, CONDUCT CONTRACTUAL ASSESSMENT PROCEEDINGS AND LEVY CONTRACTUAL ASSESSMENTS WITHIN THE INCORPORATED TERRITORY OF THE CITY; AND AUTHORIZING RELATED ACTIONS.

DATE: OCTOBER 5, 2015

FROM: OFFICE OF THE CHIEF EXECUTIVE OFFICER

PRESENTATION BY: DANIEL K. BAKER, ASSISTANT TO THE CEO

FOR FURTHER INFORMATION CONTACT: DAN BAKER (714) 754-5156

RECOMMENDATION:

It is recommended that the City Council consider and Adopt Resolution 201_-_____ consenting to the inclusion of properties within the City's Jurisdiction into the CaliforniaFIRST Program.

BACKGROUND:

Assembly Bill (AB) 811 which was signed into law on July 21, 2008, and AB 474, effective January 1, 2010, authorize a legislative body to designate an area within which public officials and property owners may enter into voluntary contractual assessments to finance the installation of renewable energy, energy and water efficiency improvements, and electric vehicle charging infrastructure permanently fixed to real property. This legislation gives owners a new way to finance energy-related improvements by offering them the option to add the loan as a line item on their property tax bill. The financing for these improvements is known as PACE, which stands for Property Assessed Clean Energy.

In April 2014, the City Council approved the Home Energy Renovation Opportunity (HERO) Program, which is one of several PACE Programs available throughout the state. The Program launched in Costa Mesa in mid 2014 and has been very successful, with 59 residential projects completed to date.

Due to the fact that property owners are best served when municipalities allow multiple PACE programs to operate in their jurisdiction, staff is currently recommending approval of the CaliforniaFIRST Program. Although the core service provided by PACE Programs is similar, each has a different approach that may make their business model more or less beneficial to different property owners. Additionally, the interest rates offered by these Programs will vary, making this no different than identifying who provides the lowest interest

rates on mortgages, auto loans, or any other loan. PACE programs serve as one more tool in the toolbox for qualifying residents and businesses seeking ways to intelligently improve their energy efficiency and set up future cost savings.

ANALYSIS:

The CaliforniaFIRST Program has been established by California Communities, a joint powers authority sponsored by the League of California Cities and the California State Association of Counties. The program is currently operating in 37 counties and 312 cities throughout the state. Orange County cities offering the Program at this time are: Aliso Viejo, Anaheim, Newport Beach, San Clemente, Santa Ana, Brea, Laguna Beach, Westminster, and Mission Viejo. In order to offer the program to commercial and residential property owners, jurisdictions only need to adopt the form of resolution accompanying this staff report. Staff will then promote the program on the City's website.

If a property owner chooses to participate, the installed improvements will be financed through the issuance of bonds by California Communities. The bonds are secured by a voluntary contractual assessment levied on such owner's property. Costa Mesa's inclusion in the CaliforniaFIRST Program will enable the City to leverage resources from other sources to help residents with energy efficiency, and the City will not need to issue its own bonds.

Participation in the program is 100% voluntary. Property owners who wish to participate agree to repay the amount borrowed through an assessment on their property taxes. Just as in conventional assessment financing, the City is not obligated to repay the bonds or to pay any delinquent assessments levied on the participating properties. The City is able to withdraw from the CaliforniaFIRST Program at any time by passing a resolution rescinding the authorization.

Benefits to the property owner include:

-Eligibility: In today's economic environment, many property owners do not have financing options available that would provide funding for improvements that lower their utility bills.

-Savings: Energy prices continue to rise and energy efficient, water efficient and renewable energy improvements reduce utility bills.

100% voluntary: Property owners can choose to participate in the program at their discretion. Improvements and properties must meet eligibility criteria in order to qualify for financing.

-Payment obligation stays with the property: A voluntary contractual assessment stays with the property upon transfer of ownership. Certain residential conforming 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 assessment at any time, subject to applicable prepayment penalties. The amount of the penalty decreases with each passing year. There is no prepayment penalty if paid off in years 6 – 20 of the loan.

-Customer-oriented program: Part of the success of the program is the prompt customer service. Committed funding partners provide funding to contractors promptly upon project completion.

Benefits to the City include:

- Financing options for energy-efficiency upgrades for residents. Increase in local jobs
- Increase in property values (energy-efficient homes and buildings are worth more money)
- Lower greenhouse gas emissions consistent with AB 32 goals and City's Sustainability Plan
- Regional/statewide programs provide for economies of scale. Assessment administration, bond issuance, and bond administration functions will be handled by CaliforniaFIRST. By leveraging the already successful CaliforniaFIRST Program, the City can offer financing to property owners more quickly, easily and much less inexpensively than with the establishment of a new local program.

Considering the fact that PACE financing is in a higher position as a tax lien, Fannie Mae and Freddie Mac will not provide loans where a CaliforniaFIRST assessment exists. Disclosure of this fact is provided to property owners who have a Fannie or Freddie loan and who wish to participate in the program. Those property owners must sign a waiver acknowledging that they are aware of the possibility that they may have to repay the loan if they refinance or sell their home. In the case of homes that are fully paid off or which have loans not backed by Fannie or Freddie, the PACE lien would stay with the property when sold, and the obligation would be assumed by the new owner.

FISCAL IMPACT:

No impact to the City's General Fund will be incurred by consenting to the inclusion of properties within the City limits in the CaliforniaFIRST Program. All program administrative costs are covered through an initial administrative fee included in the property owner's voluntary contractual assessment and an annual administrative fee which is also collected on the property owner's tax bill.

CONCLUSION:

California law authorizes property owners to enter into voluntary contractual assessments to finance permanently fixed renewable energy, energy and water efficiency improvements, and electric vehicle charging infrastructure on their properties. The financing for these improvements is known as PACE, which stands for Property Assessed Clean Energy. Staff is recommending that Council adopt a resolution consenting to the inclusion of properties within Costa Mesa's jurisdiction in the CaliforniaFIRST PACE Program. Property owners who wish to participate in the program agree to repay the amount they borrow through their property tax bill. There is no fiscal impact to the General Fund.

DANIEL K. BAKER
Assistant to the CEO

Attachment A: [Proposed Resolution](#)