



AGENDA REPORT

DATE: January 12, 2010
TO: City Council
FROM: James Walgren, Assistant City Manager
SUBJECT: CALIFORNIAFIRST GRANT PROGRAM

RECOMMENDATION

Adopt the following resolutions authorizing participation with the CaliforniaFIRST energy efficiency grant program:

- A. Resolution No. 2010-03 authorizing the City of Los Altos to participate in the CaliforniaFIRST grant program, and related actions; and
- B. Resolution No. 2010-04 authorizing the County of Sacramento to apply for funding on behalf of the City of Los Altos.

BACKGROUND

This staff report provides the background of a pilot program being developed to provide financing to property owners for renewable energy, energy efficiency, and water efficiency projects. At this time, staff is asking for Council's approval to participate in this program by adopting the attached resolutions. Previously, staff submitted two letters of support for the programs – these letters did not bind the City in any way to participate, but do now allow the City to participate. If these letters of support had not been submitted, Los Altos residents would not be eligible for the programs. Even after approving the resolution, the City can withdraw from the pilot program at any time by passing a resolution rescinding the authorization.

AB 811 was passed in July 2008 and allows local governments to form assessment districts that allow property owners to install renewable energy and energy efficiency improvements on their properties and pay for the cost of the projects over time. CaliforniaFIRST is a pilot program in development by California Communities, a JPA of local governments. California Communities will create an assessment district, authorized by AB 811, whereby commercial and residential owners can finance 100 percent of the upfront capital costs of renewable energy, energy efficiency, and water efficiency projects and repay the amount financed on their property tax bill over 20 years. Property owners select the type of projects they wish to install and program participation is voluntary. California Communities has selected Renewable Funding LLC and RBC Capital Markets to provide administration and financing for the program. Cities and counties must adopt a resolution to “opt in” to the CaliforniaFIRST program for their residents and businesses to have access to this financing.

There are costs associated with participating in this pilot program. A grant application is being submitted to the California Energy Commission to cover these costs. The funding for this grant is from the American Recovery and Reinvestment Act (Stimulus Bill) funds. The County of Sacramento is the lead agency in submitting this grant application and will include all counties and cities wishing to participate. Ecology Action and Renewable Funding are both partner grant writers.

For the grant application the participating counties have been grouped into five regions. Santa Clara County is in the North Bay Region along with San Mateo and San Francisco counties. The grant application will specify the total amount of the grant (approximately \$15 million), how it will be distributed to the various counties, and how the money is to be spent. Approximately \$5.5 million will be going to CaliforniaFIRST to pay for city/county costs to participate in the pilot program and to buy down interest rates for the loans to the property owners. Approximately \$1.5 million will be for grant/contract administration and steering committee costs. Finally, approximately \$8 million will go to the various counties for regional program coordination and marketing. Cities will have a representative on their county's steering committee to have a voice in the use of the funds for coordination and marketing.

The benefits to the property owner from this pilot program include:

- Only property owners who choose to participate in the program will have assessments imposed on their property.
- In today's economic environment, there may not be attractive private enterprise alternatives for property owners to finance renewable energy/energy efficiency/water efficiency improvements.
- 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. Under the CaliforniaFIRST program, the assessment obligation will transfer with the property upon sale.
- The property owner can choose to pay off the assessments at any time.
- By virtue of regional aggregation provided by the CaliforniaFIRST Program, small projects, both residential and commercial, can have access to the municipal bond market, which may produce a lower borrowing cost.

The benefits to the City include:

- As in conventional assessment financing, the City is not obligated to repay the bonds issued by California Communities or to pay the assessments levied on the participating properties.
- California Communities handles all assessment administration, bond issuance, and bond administration functions. A participating City can provide financing for these improvements to property owners through the CaliforniaFIRST Program, thereby meeting its political and environmental goals, while committing virtually no staff time to administer the program.

The attached resolutions will authorize California Communities to accept applications from owners of property within the City of Los Altos for municipal financing of renewable energy, energy efficiency, and water efficiency improvements through the CaliforniaFIRST Program, and conduct assessment proceedings and levy assessments against the property of participating owners within the City limits. It will also authorize miscellaneous related actions, make certain findings and determinations required by law, and authorize payment of a set-up fee to cover legal, procedural, and technology costs associated with the CaliforniaFIRST Program. California Communities will undertake a judicial validation proceeding as part of its initiation of the CaliforniaFIRST Program.

FISCAL IMPACT

Community Development staff anticipates minimal time devoted to this program beyond this start-up effort. The grant funds a full-time County of Santa Clara position to administer the program for County cities and to implement public outreach.

Attachments

1. Resolution No. 2010-03
2. Resolution No. 2010-04
3. Memorandum to City Managers dated November 14, 2009