

CITY COUNCIL COMMITTEE

SPECIAL MEETING

POLICY DEVELOPMENT AND INTERNAL OPERATIONS

Mayor Tim Grayson, Chair
Laura Hoffmeister, Committee Member

5:30 p.m.
Thursday, July 2, 2015

Wing A, Garden Conference Room
1950 Parkside Drive, Concord

ROLL CALL

PUBLIC COMMENT PERIOD

- 1. CONSIDERATION** – Adding Open PACE and Ygrene PACE to the Existing Hero and Figtree PACE Programs to Provide Energy Efficiency Financing Options to Residents and Businesses of Concord. Report by Laura Simpson, Planning Manager.
- 2. ADJOURNMENT**

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**REPORT TO COUNCIL COMMITTEE ON
POLICY DEVELOPMENT & INTERNAL OPERATIONS****TO HONORABLE COMMITTEE MEMBERS**

DATE: July 2, 2015

SUBJECT: *ADDING OPEN PACE AND YGRENE PACE TO THE EXISTING HERO AND FIGTREE PACE PROGRAMS TO PROVIDE ENERGY EFFICIENCY FINANCING OPTIONS TO RESIDENTS AND BUSINESSES OF CONCORD*

Report in Brief

On July 22, 2014, the City Council adopted resolutions to allow the City of Concord to become a member of the California Enterprise Development Authority (CEDA), and then to allow CEDA to operate two Property Assessed Clean Energy (PACE) providers within the City. The two PACE providers operating in the City of Concord are the Figtree Financing program and California HERO program.

Several new Property Assessed Clean Energy (PACE) providers have contacted the City of Concord to request the City's participation to offer additional PACE financing programs, thereby expanding the pool of providers available in Concord. If the City of Concord opts into the Open PACE program, residents will be able to access both CaliforniaFIRST PACE and AllianceNRG. Ygrene is a separate PACE program that offers special tax assessment financing.

Staff recommends that the City Council authorize the City of Concord to opt into both the Open PACE program and the Ygrene program, thereby adding three new PACE vendors to choose from in Concord. Each program offers different types of benefits to customers, so allowing more options will increase the likelihood that energy efficiency improvements will occur.

Background and Discussion

Concord currently has two PACE providers: the California Hero PACE program, which finances residential properties (see Attachment 1 for performance in Concord) and the Figtree PACE program, which finances commercial properties, including upgrades to the Concord Hilton. The new PACE providers that have requested to operate within the City are described below:

Open PACE Program

Open PACE is a platform that includes multiple providers. The California Statewide Communities Development Authority (CSCDA) was created in 1988, under California's Joint Exercise of Powers Act, to provide California's local governments with an effective tool for the financing of public benefits. CSCDA launched the platform in January 2015 in anticipation of the rapid growth of PACE programs in the State. Last summer, CSCDA interviewed approximately 7 providers and selected AllianceNRG and

CaliforniaFIRST based on their business practices, qualifications, experience and commitment to PACE. CSCDA's goal was to minimize the burden on cities by creating a marketplace that cities could opt into with a single resolution and Joint Powers Agreement (JPA). CSCDA may add a third provider to the platform in the future using the same competitive process without the need for further City Council action.

The advantage of opting into Open PACE as opposed to opting into only CaliforniaFIRST is that Open PACE would provide the City with access to both the CaliforniaFIRST and the AllianceNRG programs. Those two programs are described below; each offers a slightly different product.

CaliforniaFIRST Program

California Communities is a joint powers authority sponsored by the League of California Cities and the California State Association of Counties. The CaliforniaFIRST program was established by California Communities to allow owners of property in participating cities and counties to finance a variety of improvements including renewable energy, energy efficiency and water efficiency improvements and seismic strengthening improvements. If a property owner chooses to participate, the improvements will be financed by the issuance of bonds by California Communities. Assessments may be levied to finance improvements only with the free and willing consent of the owner of each lot or parcel on which an assessment is levied.

The benefits to the property owner include:

- Only property owners who choose to participate in the program will have assessments imposed on their property.
- 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 California law, the assessment obligation from PACE financing transfers with the property upon sale.
- The property owner can choose to pay off the assessments at any time, subject to applicable prepayment penalties.

AllianceNRG

AllianceNRG operates similarly to CaliforniaFIRST but provides two benefits that other PACE programs do not currently offer:

- AllianceNRG is currently the only program that is financing seismic/structural improvements. This program is the sole capital provider for the San Francisco Soft Story Mandatory Program and was also recently approved in the City of Berkeley to provide financing for its soft story program.
- AllianceNRG is able to finance smaller scale commercial projects (those under \$100,000). Many small commercial and industrial property owners have difficulty financing their projects through existing PACE Programs. AllianceNRG's capital provider is Deutsche Bank, a leader in

commercial real estate lending that has developed a streamlined process to finance smaller projects.

Ygrene Program

Ygrene (“why green”) is a program that is not currently in Open PACE, but offers different benefits to its customers. California Home Finance Authority, now Golden State Finance Authority (Golden State), located in Sacramento, is a joint exercise of powers authority. Golden State has established Ygrene Energy as a PACE financing program for residential, commercial, industrial and agricultural properties. Golden State contracts with Ygrene Energy Fund CA LLC (Ygrene) to serve as the program administrator.

Ygrene is a multi-state PACE Administrator and is currently operating in California, Florida, and Georgia. Since 2011, Ygrene has partnered with over 70 communities including 30 in California. Since February 2015, nearly 50 cities and counties have opted into the program with another 100 in the process of doing so.

Ygrene operates under California SB555, under which individual properties can be annexed into a community facilities district and be subject to the special tax that is imposed to repay project financing. Only property owners who voluntarily choose to participate in the program will be subject to the special taxes. 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.

The key differences between Ygrene and all other PACE Programs are the following:

- Unlike other programs, those formed under SB555 are special taxes that are true property taxes because, by signing up, property owners effectively vote to annex their property to the district, and the resulting taxes are technically involuntary.
- There is no bulk assessment recorded against the property, nor separate principal and interest components, so the annual tax is fully deductible (rather than only the interest component as with other PACE programs). In later years this makes a great difference, and in fact, with shorter terms can result in effective negative interest.

Fiscal Impact

There is no cost to the City associated with the program other than some staff time for the initial opting in process and community outreach for the various PACE programs. To do this staff will utilize the City’s existing outreach methods.

Public Contact

Posting of the PD&IO Council Committee Agenda.

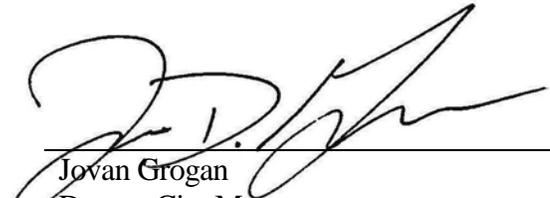
Recommendation for Action

Staff recommends that the Policy Development and Internal Operations Committee review the proposed PACE programs and provide a positive recommendation to join the Open PACE and Ygrene PACE programs to the City Council on July 28th. With these new additions to the PACE vendors in Concord, staff is recommending that no further vendors be added for a two-year period, at which time staff can evaluate the performance of the existing providers.

PARTICIPATION IN OPEN PACE and YGRENE PACE

July 2, 2015

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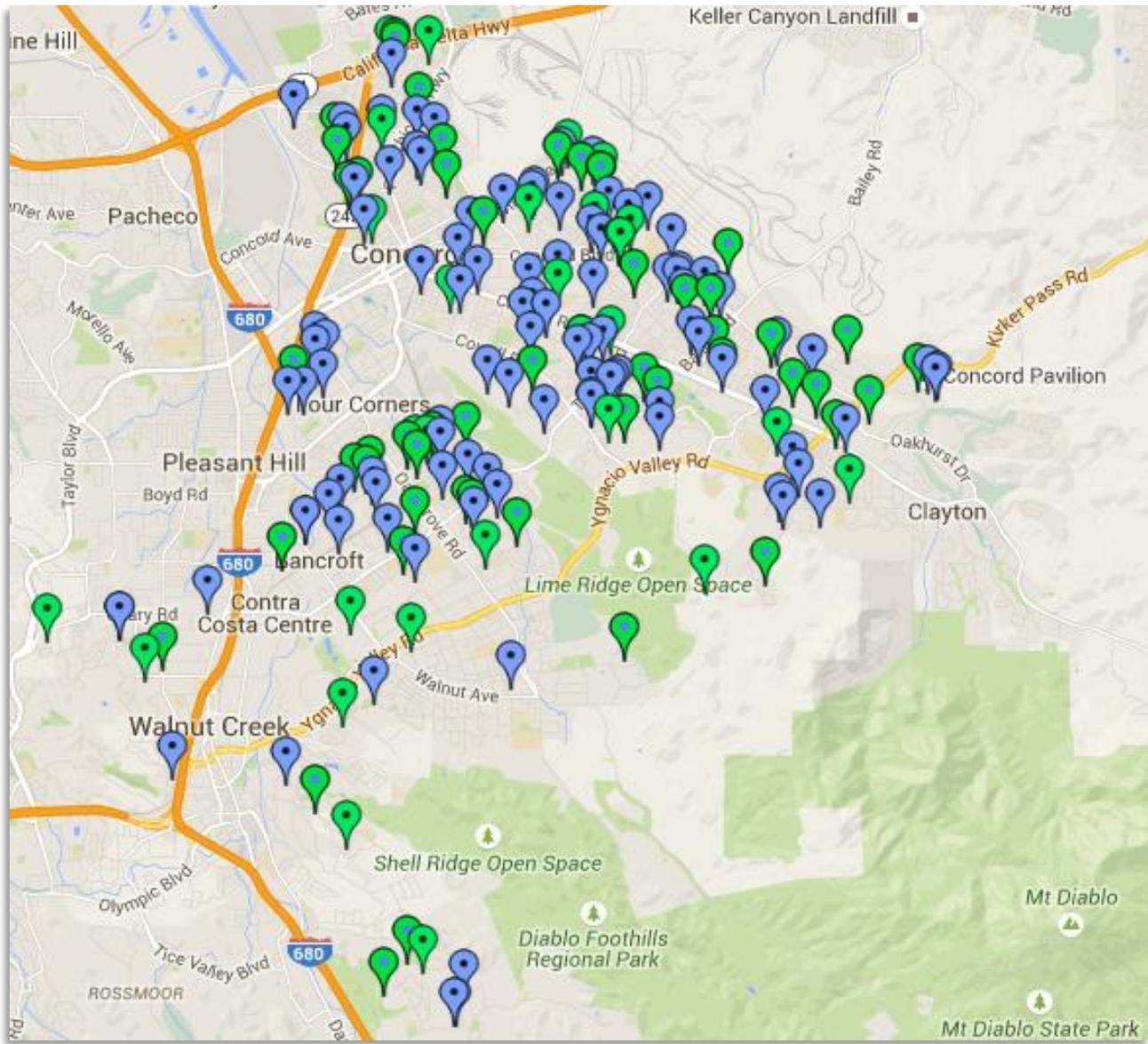


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Attachment 1: HERO Impact 06.19.15 Concord



📍 Completed 79
 📍 Approved/In Process 92



79
 Projects Completed

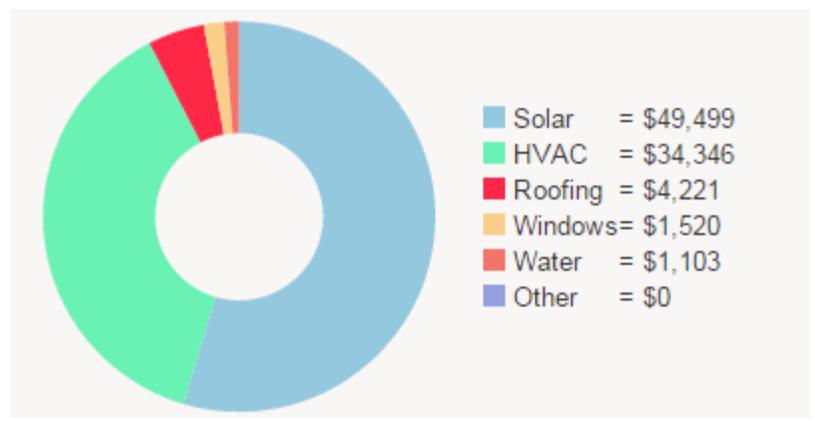
Attachment 1



14
 Est. Jobs Created

\$2,942,882
 Est. Economic Impact

Savings by Industry



HERO Impact

	Annual	Over Life of Product
Kilowatt Hours Saved	737,669	12,957,713
GHG Reductions	182 tons	3,246 tons
Water Savings	245,025 gal	2,450,250 gal
Energy Savings	\$ 89,586	\$ 3,319,638