

# Agenda Report

**DATE:** June 14, 2010

**TO:** Honorable Mayor and City Council

**THROUGH:** Municipal Services Committee (June 8, 2010)

**FROM:** Pasadena Water and Power

**SUBJECT:** Adoption of resolution authorizing participation in the Los Angeles County Energy Program

**RECOMMENDATION:**

It is recommended that the City Council:

1. Find that the action taken herein is categorically exempt from the California Environmental Quality Act pursuant to state CEQA Guidelines Sections 15308 – Class 8; and
2. Adopt the resolution (Attachment 1) to authorize the City of Pasadena as a participant in the Los Angeles County Energy Program (LACEP).

**BACKGROUND:**

Energy and water efficiency improvements and solar installations can be expensive and the initial up-front cost has become a barrier for property owners interested in installing this type of improvement. Assembly Bill 811 (AB 811) was signed into State law on July 21, 2008. The purpose of AB 811 is to promote energy conservation by providing a low-cost, transferrable financing option for residential property owners who want to install renewable energy systems, such as solar systems or energy efficiency improvements on their private property. Under AB 811, a city or county can loan funds to a property owner and recover the payments on the property's tax bill. In 2009, Assembly Bill 474 (AB 474) extended eligibility to allow similar financing of water efficiency improvements.

AB 811 and AB 474 authorized cities or counties to provide up-front financing loans to voluntary property owners to pay for certain improvements that will reduce energy or water consumption. Property owners pay back the loans in the form of increased property tax assessments. The loan is secured by the property through a lien filed with the county assessor's office. Each city or county determines the interest rates and administrative fees to be charged. The lien stays in place until the loan is paid in full and would be transferred to a new owner if the property is sold. All improvements must be permanently attached to the property; therefore, any energy efficient appliances that are mobile are not eligible to be financed under this program.

***The Los Angeles County Energy Program (LACEP)***

On April 14, 2009, the Los Angeles County Board of Supervisors (Board) directed County of Los Angeles (County) staff to begin establishing a County-wide energy efficiency and renewable energy financing program pursuant to AB 811. The contractual assessment proceedings will be undertaken by the County pursuant to Chapter 29 of Division 7 of the Streets and Highways Code. Pursuant to Chapter 29, assessments may be levied to finance energy efficiency, water efficiency and renewable energy improvements only with the free and willing consent of the owner of each lot or parcel on which an assessment is levied and once property owners evidence their consent to the assessments by executing a contract with the County.

On April 6, 2010, the Board adopted a resolution (Attachment 2) declaring the County's intention to implement a voluntary contractual assessment program, called the Los Angeles County Energy Program (LACEP), to finance improvements pursuant to the Act. On May 25, 2010, the Board approved the LACEP to finance the installation of such improvements within the unincorporated areas of the County.

The LACEP provides the following benefits to property owners:

- Up-front funding for improvements will be provided by the County, allowing many property owners who currently cannot afford to make such investments the opportunity to upgrade their property;
- The program is strictly voluntary. Only property owners who choose to participate in the program will have assessments attached to their property;
- There currently may not be attractive private lending alternatives for many property owners seeking to finance energy/water efficiency or renewable energy improvements; and
- Under the LACEP, the assessment obligation will transfer to the new property owner upon sale.

***Pasadena's Participation in LACEP***

Residential property owners in incorporated cities within the County, such as Pasadena, may participate in LACEP, provided that the legislative body of the incorporated city adopts a resolution to participate in the LACEP. The attached resolution authorizes the County to accept applications from owners of property within the City of Pasadena for financing of energy efficiency, water efficiency and renewable energy improvements through the LACEP. The resolution also authorizes the County to conduct assessment proceedings and levy assessments against the property of participating owners within City boundaries. Finally, the resolution authorizes miscellaneous related actions and makes certain findings and determinations required by law. The County will undertake a judicial validation proceeding as part of its initiation of LACEP. The City can withdraw from LACEP at any time by passing a resolution rescinding the authorization.

Adopting the proposed resolution to participate in LACEP would provide the following benefits for the City of Pasadena:

- The City's participation in LACEP is free;
- The City is not obligated to repay the bonds issued by the County to pay the assessments levied on the participating properties;
- The County handles all assessment administration, bond issuance and bond administration functions, without committing city staff time to design, implement and administer the program;
- Achieves economies of scale by implementing a consistent program design county wide;
- Achieves consistent regional coordination with other stakeholders, messaging, marketing and education;
- Substantial reduction in administrative burden, risks and costs for the City.

The energy and water efficiency improvements and solar generation installed by Pasadena residents through the LACEP would provide the following environmental benefits and compliance for Pasadena:

- Reduce the customer's and the City's overall energy consumption;
- Reduce the City's greenhouse gas emissions (supports compliance with AB 32 requirements);
- Increase the City's solar generation to meet Senate Bill (SB) 1 "California Million Solar Roof Initiative" requirements;
- Meet the City's energy efficiency and demand reduction goals (supports compliance with AB 2021 requirements);
- Meet the City's energy efficiency and demand response loading order requirements (supports compliance with SB 1037 requirements); and
- Contribute to meeting the City's Green City Energy Action goals: UEA 1 – Renewable Energy, UEA 2 – Energy Efficiency, UEA 3 – Climate Change, and UEA 19 – Potable Water Conservation.

The County expects to roll out the LACEP in summer 2010, and the earliest date that program funding is likely to become available to Pasadena residents would be September 2010.

### ***Summary of LACEP Provisions***

Some basic program information about the LACEP is identified below. A more detailed Program Report issued by the County is referenced as Exhibit A of the resolution (Attachment 1).

#### Eligible Owners and Properties

- Existing single-family and small multi-family (up to four units);
- First phase will focus on residential customers;
- Property loan to value ratio must meet at least 80% loan to value ratio.

#### Eligible Improvements

- Loans will be intended to replace working inefficient equipment or new equipment that reduces energy consumption and/or water consumption;
- Improvements must be fixed to the property.

#### Financing Issues

- Repayment will be based on contractual assessment (prioritized above mortgage payment);
- Interest rate will be based on static market, currently estimated at 8-9%, which includes administration cost;
- The County has utilized a large portion of its energy efficiency block grant funding to initiate the AB 811 loan program and has received an additional \$23 million in stimulus funding from the Department of Energy and the California Energy Commission to help supplement the program.

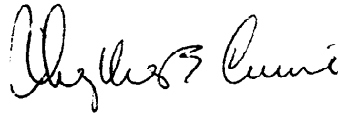
### **COUNCIL POLICY CONSIDERATION:**

The adoption of this resolution is consistent with the City Council's Strategic Plan of increasing conservation and sustainability, the Green City Action Goals (Actions 1, 2, 3, and 19), the General Plan Energy Element and the 2009 Power Integrated Resource Plan.

**FISCAL IMPACT:**

Adoption of the proposed resolution will have no direct fiscal impact. The Light and Power Fund may incur relatively minor costs to promote and market the LACEP program in Pasadena. Water and electric revenue reductions may occur as a result of Pasadena's residential customers reducing their water and power consumption.

Respectfully submitted,



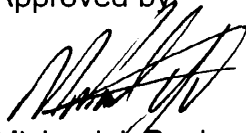
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