



Agenda Report

September 14, 2020

TO: Honorable Mayor and City Council

THROUGH: Finance Committee (September 10, 2020)

FROM: Finance Department

SUBJECT: ADOPTION OF A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASADENA CONSENTING TO THE INCLUSION OF PROPERTIES WITHIN THE TERRITORY OF THE CITY IN THE CALIFORNIA STATEWIDE COMMUNITY DEVELOPMENT AUTHORITY (CSCDA) COMMERCIAL OPEN PROPERTY ASSESSED CLEAN ENERGY (PACE) PROGRAM; AND OTHER MATTERS RELATED THERETO

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed action is not a project subject to the California Environmental Quality Act (CEQA) as defined in Section 21065 of CEQA and Sections 15060(c)(2), 15060(c)(3), and 15378 of the State CEQA Guidelines and, as such, no environmental document pursuant to CEQA is required for the project; and
2. Adopt a resolution authorizing the City's participation in the CSCDA commercial Open PACE, which will enable property owners to finance permanently fixed renewable energy, energy efficiency, water efficiency, and seismic strengthening improvements as well as electric vehicle charging infrastructure.

BACKGROUND:

The California Statewide Communities Development Authority (CSCDA), the largest Joint Powers Authority in California, founded and sponsored by the League of California Cities and the California State Association of Counties, is implementing a Property Assessed Clean Energy (PACE) financing program under the provisions of AB 811, passed in 2007, on behalf of its member counties and cities. AB 811 authorizes a legislative body to designate an area within which authorized public officials (including a joint powers authority like CSCDA) and property owners may enter into voluntary

contractual assessments to finance the installation of renewable energy, energy efficiency, water efficiency, and seismic strengthening improvements as well as electric vehicle charging infrastructure, in each case affixed to real property (the "Improvements").

The City of Pasadena does not have a Commercial PACE program as there has not been a specific demand from commercial property owners or developers to utilize it as a funding source. The program is being brought forward now for consideration as the City and CSCDA have received a specific request to utilize Commercial PACE funding for a multi-family residential unit development project within the City.

The recommended action will only authorize the establishment of a Commercial Open PACE program. Since the adoption of AB 811 in 2007, Residential PACE programs have generated a great deal of negative press for the predatory practices of some program administrators that have resulted in financial hardships for unsuspecting residential property owners that did not understand the debt they were undertaking or the significant annual property tax assessments that what occur. While the financing mechanism for Residential and Commercial PACE is the same, commercial property owners and developers generally have a far better understanding of the financial implications and include PACE financing costs in their pro-formas and cost-benefit analysis.

CSCDA's Commissioners pre-qualified and appointed several commercial PACE Administrators to manage the CSCDA Open PACE program in order to offer members turn-key PACE solutions that provide commercial property owners the choice among prequalified PACE financing providers, creating competition on terms, service and interest rates. The prequalified commercial PACE program administrators operating the following programs are AllianceNRG Program (CounterPointe Energy Solutions (CA) LLC), PACE Funding LLC, CleanFund Commercial PACE Capital, Petros PACE Finance, Stonehill PACE, White Oak Advisors, PACE Equity, Lord Cap PACE and Green PACE Capital.

These commercial PACE program administrators were selected by CSCDA to offer commercial property owners within the City.

CSCDA's Open PACE program offers turnkey solutions to save California cities and counties the time and resources of developing standalone PACE programs. The City only needs to adopt the resolution accompanying this staff report related to the CSCDA Open PACE program to begin the process.

The City of Pasadena is a member of the CSCDA and has held TEFRA hearings on behalf of other entities utilizing the CSCDA for debt issuances. More information about CSCDA and CSCDA's commercial Open PACE Program Administrators is available at www.cscda.org.

ANALYSIS

CSCDA commercial Open PACE is being offered to allow property owners in participating cities and counties to finance renewable energy, energy water efficiency improvements, seismic improvements and electric vehicle charging infrastructure on their property. Participation in the assessment is 100% voluntary by the property owner. The improvements installed on the owner's property are financed by the issuance of bonds by CSCDA. The bonds are secured by a voluntary contractual assessment levied on the owner's property. Property owners who wish to participate in PACE agree to repay the money through the voluntary contractual assessment collected with property taxes. The voluntary contractual assessments will be levied by CSCDA and collected in annual installments through the applicable county secured property tax bill.

The benefits to the property owner include:

- **Competition:** CSCDA commercial Open PACE provides multiple options to commercial PACE property owners: AllianceNRG Program (CounterPointe Energy Solutions (CA) LLC), PACE Funding LLC, CleanFund Commercial PACE Capital, Petros PACE Finance, Stonehill PACE, White Oak Advisors, PACE Equity, Lord Cap PACE and Green PACE Capital. Property owners can shop for the best price and service through the availability of the PACE administrators.
- **Eligibility:** In today's economic environment, alternatives for property owners to finance renewable improvements may not be available.
- **Savings:** Energy prices continue to rise and installing energy efficient, water efficient and renewable energy models lower utility bills.
- **100% voluntary:** Only property owners who choose to finance improvements will have assessments placed on their property.
- **Payment obligation can stay with the property:** Under Chapter 29, a voluntary contractual assessment stays with the property upon transfer of ownership.
- **Favorable Terms:** The economic terms of PACE financing will often be more favorable than other options. Competition in the marketplace is a good thing and cities and counties are encouraged to approve multiple providers to create a competitive environment.
- **Not a personal loan or mortgage:** The PACE assessment in effect is not a personal obligation of the property owner through a conventional loan or mortgage but an assessment on the property secured by an assessment lien and collected as part of the regular tax roll on the property.

The benefits to the City of Pasadena include:

- **Prequalified PACE Administrators.** CSCDA has pre-qualified the commercial PACE Administrators based on their business practices, qualifications, experience, and capital commitment to the PACE market.
- **Single Resolution.** The City can pass a single resolution and provide access to commercial property owners to highly qualified PACE administrators. There is no need to pass multiple resolutions to approve the administrators.
- **Increase local jobs.** Property improvements provide jobs in the local economy.
- **Increase Revenue to the City of Pasadena.** Property improvements result in an increase in sales and property tax revenue to the City of Pasadena.
- **No City Obligation.** As in conventional assessment financing, the City is not obligated to repay the bonds or to pay the assessments levied on the participating properties. Unlike conventional assessment financing, the City has no administrative duties and its name is not on the bonds, as CSCDA's name is on the bonds.
- **No City staff support required.** All CSCDA Open PACE and assessment administration, bond issuance and bond administration functions are handled by CSCDA. No City staff time is needed to participate in CSCDA Open PACE.
- **No internal management requirements.** The City can provide access for its commercial property owners to CSCDA Open PACE without the higher staff costs that an independent program established by the City would require.
- **Availability of Information on Projects Financed.** The City will receive periodic updates on CSCDA Open PACE projects that have been completed in their community.

CSCDA (and not the city) will be responsible for entering into voluntary contractual assessment agreements with participating property owners, levying the voluntary contractual assessments, issuing bonds to finance the Improvements and taking remedial actions in the event of delinquent assessment payments. The resolution expressly provides that the county or city will not be responsible for the conduct of any assessment proceedings, the levy of assessments, any required remedial action in the case of delinquencies in assessment payments, or the issuance, sale or administration of any bonds issued in connection with CSCDA Open PACE.

COUNCIL POLICY CONSIDERATION:

This action supports the City Council's strategic goal of maintain fiscal responsibility and stability.

ENVIRONMENTAL ANALYSIS:

The action proposed herein is not subject to the California Environmental Quality Act (CEQA) in accordance with Section 21065 of CEQA and State CEQA Guidelines Sections 15060 (c)(2), 15060 (c)(3), and 15378. The adoption of a resolution authorization the City's participation in the CSCDA commercial Open PACE program is the establishment of a government funding mechanism that does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. Therefore, the proposed action is not a "project" subject to CEQA, as defined in Section 21065 of CEQA and Section 15378 of the State CEQA Guidelines. Since the action is not a project subject to CEQA, no environmental document is required.

FISCAL IMPACT:

There is no negative fiscal impact to the City's finances or General Fund by consenting to the inclusion of commercial properties within the City limits in CSCDA Open PACE. All CSCDA Open PACE 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.

Respectfully submitted,


MATTHEW E. HAWKESWORTH
Director of Finance

Approved by:


STEVE MERMELL
City Manager