

# City of Sacramento

## Legislation Text

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File #: 2019-00031, Version: 1

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**Title:**

**Inclusion of Properties within the City of Sacramento's Jurisdiction in the California Enterprise Development and Authority Property Assessed Clean Energy Program (Figtree)**

File ID: 2019-00031

**Location:** Citywide

**Recommendation:**

Adopt a Resolution: 1) approving the City of Sacramento as an Associate Member in the California Enterprise Development and Authority joint powers authority (CEDA); 2) authorizing the City to join CEDA's Figtree Property Assessed Clean Energy (PACE) Program; 3) authorizing CEDA to accept applications from property owners, conduct contractual assessment proceedings, and levy contractual assessments on properties within the City's jurisdiction for the voluntary Figtree PACE Program; and 4) authorizing related actions.

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**Presenter:** None

**Attachments:**

- 1-Description/Analysis
- 2-Resolution
- 3-Exhibit A - Associate Membership Agreement
- 4-Exhibit B - Resolution of Intention to be adopted by CEDA
- 5-Exhibit C - Indemnification Agreement
- 6-Exhibit D - Original Joint Powers Agreement
- 7-Exhibit E - Member List of CEDA

### Description/Analysis

**Issue Detail:** The proposed actions would authorize a new Property Assessed Clean Energy (PACE) program, Figtree PACE, to finance improvements on existing properties in Sacramento. PACE programs offer an alternative means to finance energy, water, and seismic improvements that are

permanently affixed to existing properties. Eligible improvements may vary by PACE program, but generally include improvements for energy and water efficiency, distributed generation renewable energy facilities such as solar photovoltaics, and vehicle charging. These improvements contribute to achieving the City's climate and energy reduction targets. Property owners participate by entering into a voluntary contract which allows for placement of an assessment lien on the property for full project costs. Upfront costs are paid directly to the contractor completing improvements. Property owners then repay the costs of improvements, fees, and interest as a special assessment on property tax bills, typically over a five- to twenty-year period. PACE is a property-secured form of financing, which can remain with the property if sold or transferred.

Historically, the primary focus of PACE providers has been serving residential property owners. Four PACE providers currently offer financing to properties within the City limits. To date, the PACE programs authorized within Sacramento have financed over \$83 million of improvements distributed across more than 4,400 projects, with greater than 98% of funded projects affixed to residential properties.

The California Enterprise Development and Authority (CEDA), a joint powers authority (JPA) operating in more than 200 California municipalities, has requested authorization to provide PACE financing for commercial and nonprofit properties in the City of Sacramento. The CEDA proposes to implement its Figtree PACE program under Chapter 29 of Division 7 of the Streets & Highways Code (commonly referred to as California Assembly Bill 811), which allows cities, counties, or special districts to designate an area within which a JPA may enter into voluntary contractual assessments with willing property owners to finance the installation of distributed renewable energy generation, as well as energy and water efficiency improvements.

Figtree PACE is one of the United States' longest-running PACE programs and was the first to become a licensed California Lender by the California Department of Business Oversight, required as of January 1, 2019 under California Legislation AB 1284. To date, the Figtree PACE program has completed 56 commercial PACE projects, totaling over \$15 million in project financing. The types of improvements include solar, HVAC, lighting, and roofing; it is estimated that the improvements will abate 4,106 metric tons of carbon dioxide equivalent each year. The types of eligible properties include multifamily, office, commercial and industrial, and houses of worship. The Figtree PACE program has also completed 150 residential PACE projects to date, totaling over \$3.75 million in project financing. These were all solar projects and are estimated to abate 985 metric tons of carbon dioxide equivalent each year.

**Policy Considerations:** PACE programs have been enabled by California law (AB 811) since 2008. On September 27, 2011, the City Council adopted Resolution No. 2011-539 authorizing the City's first PACE program with Ygrene Energy Fund California, LLC (Ygrene). In December 2015, the City Council acted to amend Ygrene's exclusive agreement and allow other entities to operate PACE

programs. Later, on January 12, January 19, and June 14, 2016, City Council adopted Resolution Nos. 2016-0008, 2016-0016 and 2016-0211 respectively, authorizing three new PACE programs: the California Statewide Communities Development Authority Open PACE, the California Home Energy Renovation Opportunity (HERO), and the California Municipal Finance Authority PACE Program.

On December 6, 2016, City Council adopted the citywide Property Assessed Clean Energy Policy (Resolution 2016-0419) which provides the City of Sacramento's expectations regarding the operation of PACE programs within City limits and sets forth standards for consumer protections and responsible lending practices. It also established that should a PACE provider or its PACE programs fail to meet the City's expectations as identified per the policy, the City reserves the right to alter or terminate its relationship or membership with the PACE provider. Per staff review, CEDA's Figtree PACE program aligns with the policy expectations and minimum qualifications.

**Economic Impacts:** None

**Environmental Considerations:**

**California Environmental Quality Act (CEQA):** The recommendation in this report is not a project under CEQA, because it does not involve any commitment to a specific project which may result in a potentially significant physical impact on the environment, as contemplated by Title 14, California Code of Regulations, Section 15378(b)(4).

**Sustainability:** The recommendations in this report are consistent with the City Council's economic and sustainability priorities. PACE programs are one of the implementation actions identified in the 2012 Climate Action Plan. Participation in PACE programs will enable the financing of energy and water conservation improvements that lower utility expenses, reduce greenhouse gas emissions, and encourage local job creation.

**Commission/Committee Action:** Not applicable

**Rationale for Recommendation:** In December 2015, the City Council voted to approve an "open market" for PACE programs in the City of Sacramento. This resolution will increase the number of program providers that residents and businesses can work with and compare cost. Expanding the number of PACE providers will increase competition and options for property owners seeking financing for energy and water improvements. The resolution recommended for approval in this report does not preclude the City from authorizing new PACE providers.

**Financial Considerations:** Not applicable

**Local Business Enterprise (LBE):** Not applicable

