

# STAFF REPORT

## City of Lancaster

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Date: September 08, 2015

To: Mayor Parris and Council Members

From: Barbara Boswell, Lancaster Choice Energy Director

Subject: **Resolution Authorizing the City's Participation in the California Municipal Finance Authority Property Assessed Clean Energy Program**

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### **Recommendation:**

Adopt **Resolution No. 15-49**, consenting to the inclusion of properties within the City's jurisdiction in the California Municipal Finance Authority (CMFA) Property Assessed Clean Energy (PACE) Program to finance energy efficiency, water efficiency, and renewable energy upgrades for residential and commercial buildings. Authorize the City Manager, or his designee, to execute all documents and make any non-substantive changes necessary to complete the transaction.

### **Fiscal Impact:**

There is no budgetary impact to the City by consenting to the inclusion of properties within the City limits in the CMFA PACE program. The City will have no administrative responsibilities, marketing obligations, or financial obligations associated with the PACE programs.

### **Background:**

On June 24, 2014, Lancaster City Council adopted Resolution Nos. 14-41, 14-42, and 14-43, and on May 26, 2015, Lancaster City Council adopted Resolution No. 15-26, authorizing participation in four different Property Assessed Clean Energy (PACE) financing programs: California HERO, CaliforniaFIRST, Figtree Financial, and California Home Financing Authority. The PACE programs allow property owners to enter into voluntary contractual assessments for the purpose of financing the installation of distributed generation renewable energy sources such as solar panels, energy efficiency improvements, and/or water conservation improvements that are permanently fixed to real property, as specified. Property owners who participate in the program repay the loans through the assessment collected together with their property taxes.

Council authorized participation in multiple PACE programs to provide property owners with the ability to choose the program that best fits their needs. This past fiscal year, PACE programs funded more than \$1 Million in various energy efficiency programs for Lancaster homeowners, and approximately \$2.5 Million in funding for additional projects have been approved thus far.

The CMFA is a Joint Powers Authority formed to assist local governments, non-profit organizations and businesses by promoting economic, cultural and community development, with the financing of economic development and charitable activities throughout California. To date over 200 municipalities, including the City of Lancaster, have become members of the CMFA.

As part of its economic and community development, the CMFA along with its current Program Administrators, Energy Efficient Equity (“E3”) and PACE Funding, are offering PACE financing for residential and commercial property owners in its member territories. The CMFA is expected to issue limited obligation bonds, notes or other forms of indebtedness to fund the projects.

Benefits to the property owners include:

- Access to funds for home improvements: In today’s economic environment, alternatives for property owners to finance renewable energy, energy efficiency, and water conservation improvements may not be available. Therefore, many property owners do not have options available to them to lower their utility bills.
- Savings: Renewable energy, energy efficiency, and water conservation improvements help lower utility bills.
- Payment obligation is tied to the property: The debt should not need to be repaid when the property is sold or transferred. The new owner assumes the obligation to repay the remaining balance with the property taxes.
- Voluntary: Property owners choose to participate in the program at their own discretion.
- Repayment obligation matched to the useful life of the financed improvements: The length of the financing is based on the expected useful life of the improvements. Depending on the lender and the improvements, the term can range from five (5) years to thirty-nine (39) years.
- Prepayment options: Property owners can pay off the assessments at any time; however, there may be applicable prepayment penalties, and the program administrators review these terms with prospective participants.
- Improved quality of life: Residents benefit from improvements, such as more effective cooling provided by new air conditioning units and less outside noise when new double-paned windows are installed.

The benefits to the City include:

- Increased Property Values: Program supports development of renewable energy sources, installation of energy and water efficiency improvements, reduction of greenhouse gases, and protection of the environment. In addition, more efficient properties are typically worth more and sell more quickly.
- No Obligation to the City: The City incurs no financial obligations as a result of program participation.

- Minimal Staff Time: Once the Council passes the resolutions, the City will incur no costs, and no staff time is required to administer funding of the PACE program.
- Alternative Choices for Energy Efficiency Program Financing: By leveraging existing, already successful PACE Programs, the City can offer financing options to property owners more quickly, easily and much more inexpensively than establishment of a new local Program.

The proposed resolution enables the CMFA to accept applications from owners of property within the City for municipal financing of authorized improvements through the CMFA program.

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**Attachment:**

Resolution No. 15-49