



DATE: November 10, 2020

CATEGORY: Consent

DEPT.: City Manager's Office

TITLE: **Golden State Finance Authority
PACE Programs**

RECOMMENDATION

1. Adopt a Resolution of the City Council of the City of Mountain View Consenting to Inclusion of Properties Within the City's Jurisdiction in the Golden State Finance Authority Community Facilities District No. 2014-1 (Clean Energy) to Finance Renewable Energy Improvements, Energy Efficiency and Water Conservation Improvements, Electric Vehicle Charging Infrastructure, and Other Improvements, and Approving Associate Membership in the Joint Exercise of Powers Authority Related Thereto, to be read in title only, further reading waived (Attachment 1 to the Council report).
2. Adopt a Resolution of the City Council of the City of Mountain View Consenting to Inclusion of Properties Within the City's Jurisdiction in the Golden State Finance Authority Program to Finance Renewable Energy Generation, Energy and Water Efficiency Improvements, Electric Vehicle Charging Infrastructure, and Other Improvements, and Approving Associate Membership in the Joint Exercise of Powers Authority Related Thereto, to be read in title only, further reading waived (Attachment 2 to the Council report).

BACKGROUND

Property Assessed Clean Energy (PACE) is a mechanism to finance the upfront cost of several types of residential and commercial property improvements, including energy efficiency, water conservation, and renewable energy. Through a PACE provider, property owners borrow funds for the improvements and repay the loan via a special voluntary property tax assessment. PACE programs in California were enabled by two pieces of State legislation:

1. Assembly Bill (AB) 811, signed into law on July 21, 2008, authorizes a legislative body to designate an area within which authorized public officials and property

owners may enter into voluntary contractual assessments to finance the installation of renewable energy systems and energy efficiency improvements. AB 474, signed on January 1, 2010, and Senate Bill (SB) 1340, signed September 30, 2010, expanded AB 811 to include water efficiency improvements and the installation of charging stations for electric vehicles.

2. Senate Bill 555, signed into law on October 5, 2011, amended the Mello-Roos Community Facilities Act to allow for the creation of Community Facilities Districts (CFD) for the purpose of financing or refinancing the acquisition, installation, and improvement of energy efficiency, water conservation, renewable energy, and electric vehicle charging infrastructure improvements permanently affixed to private or publicly owned real property. Individual properties can be annexed into the CFD and be subject to the special tax that is imposed to repay project financing only if: (1) the City Council adopts a resolution consenting to the inclusion of parcels in the incorporated areas of the City within the CFD; and (2) each participating owner provides its unanimous written approval for annexation of its property into the PACE CFD.

Subsequent legislation has expanded the types of property improvements eligible for PACE financing to include seismic retrofits and fire resiliency measures.

The City Council previously approved two PACE programs to operate in Mountain View. On January 12, 2010, the City Council adopted a resolution to authorize the CaliforniaFIRST PACE program and joined the California Statewide Communities Development Authority (CSCDA), a joint powers authority. On September 15, 2015, the City Council approved a resolution authorizing the California Home Energy Renovation Opportunity (HERO) Program and joined the Western Riverside Council of Governments, a joint powers authority, as an Associate Member.

In April 2019, the CSCDA Commissioners approved actions to combine their two PACE programs, CaliforniaFIRST and Open PACE. These actions approved the operation of CaliforniaFIRST, as part of and under the name of CSCDA Open PACE, and authorized Open PACE program administrators to administer and provide financing under the CaliforniaFIRST program. This change allowed all approved PACE programs operating under CSCDA Open PACE to operate in jurisdictions that had previously approved CaliforniaFIRST, including Mountain View, under the same terms and conditions. There are currently three residential and seven commercial PACE providers operating as part of the CSCDA Open PACE program.

Golden State Finance Authority (GSFA), which was formerly known as the California Home Finance Authority is a joint powers authority, established pursuant to Government

Code Section 6500, *et seq.*, and the Joint Powers Agreement entered into on July 1, 1993, as amended from time to time (attached as Exhibit A to both Resolutions). GSFA has established two PACE financing programs for residential, commercial, industrial, and agricultural properties. GSFA contracts with Ygrene Energy Fund California LLC (Ygrene) to administer these programs. GSFA is not affiliated with CaliforniaFIRST or the Open PACE program. Therefore, in order to provide Mountain View residents with access to GSFA PACE financing programs, it would be necessary for the City to consent to the inclusion of Mountain View properties into the GSFA District and Program.

ANALYSIS

The Ygrene PACE financing program would provide residential and commercial property owners in Mountain View another option to finance measures that will generate renewable energy, reduce energy or water use, increase seismic strengthening, enable electric vehicle charging infrastructure, or improve fire resiliency on their property. By offering low-cost financing, GSFA's PACE programs allow construction of these projects to proceed and, in the process, stimulate building activity and the overall local economy, help communities improve disaster resiliency, reduce peak-energy demand, increase property values, and generate savings on utility bills for property owners. Ygrene's commercial PACE program has a minimum financing amount of \$5,000, which is lower than other commercial PACE providers currently approved in Mountain View, making the program more accessible to small and medium businesses.

To participate in the Ygrene PACE programs, the City must become an Associate Member of GSFA through the JPA Agreement (Exhibit A to both attached resolutions). This is the same process by which the City has previously authorized two other PACE programs to operate within Mountain View and provide services to property owners. Associate membership requires no dues or other costs to the City but permits participation in all GSFA programs, including the PACE program. The attached resolutions approve the City joining the JPA as an Associate Member.

GSFA completed the SB 555 and the AB 811 program validation processes in the State Superior Court. The GSFA SB 555 PACE program has been fully operational since August 25, 2015. Although GSFA has only implemented the SB 555 PACE program, GSFA chose to form, validate, and maintain the AB 811 program offerings to ensure that the Ygrene program remains innovative, cost-effective, and secure.

Should market conditions, consumer demand, and/or legislative changes have disproportionate impacts on either SB 555 or AB 811 PACE programs, GSFA has the flexibility to use the program that best supports GSFA's vision of service without any interruption to participating counties and cities or their property owners. In support of

this approach, the City Council is being asked to adopt two resolutions that would approve the following actions:

1. The first resolution authorizes the City to join the JPA as an Associate Member and permits property owners within the incorporated areas of the City to participate in the GSFA SB 555 CFD.
2. The second resolution authorizes the City to join the JPA as an Associate Member and permits property owners within the incorporated areas of the City to participate in the GSFA AB 811 Authority PACE program.

Each resolution also authorizes GSFA to: (1) accept applications from property owners within the City's incorporated area to finance authorized improvements; and (2) conduct proceedings and levy special taxes or contractual assessments, as applicable, on the property of participating owners. Cities and counties that have approved the Ygrene program to date have adopted both resolutions. A list of cities and counties that have approved the Ygrene PACE program and joined the GSFA as Associate Members can be found in Attachment 3. If approved by the City Council, Ygrene will provide quarterly reporting to the City on all projects funded by the program in Mountain View, including associated environmental and economic benefits.

Following are PACE program benefits:

- Supports development of renewable energy sources, installation of energy and water efficiency improvements, reduction of greenhouse gases, fire prevention, seismic retrofitting, and EV charging station upgrades;
- Only property owners who voluntarily choose to participate in the program will be subject either to assessments or special taxes;
- Program financing provides for an affordable method for many property owners to reduce their energy costs and improve their properties;
- Because program financing is readily transferred upon sale, even owners who are planning to sell have the ability to make responsible and beneficial improvements to their property;
- With no prepayment penalties, property owners can choose to pay off the program financing at any time;
- The City incurs no financial obligations as a result of program participation; and

- Once Council adopts the resolutions, the City will incur no costs, and no staff time is required for administering or funding the PACE programs.

FISCAL IMPACT

As with the City’s previously approved PACE programs, there is no fiscal impact from joining the JPA as an Associate Member or consenting to the inclusion of properties within the City limits in the GSFA PACE programs. The City will have no administrative responsibilities, marketing obligations, or financial obligations associated with the GSFA PACE programs.

ALTERNATIVES

1. Do not approve the attached resolutions.
2. Provide other direction.

PUBLIC NOTICING – Agenda posting.

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- Attachments:
1. Resolution Authorizing the GSFA SB 555 PACE Program
 2. Resolution Authorizing the GSFA AB 811 PACE Program
 3. List of Current GSFA JPA Members