

City of Calistoga

Staff Report

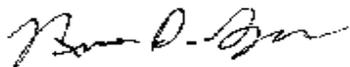
TO: Honorable Mayor and City Council

FROM: Erik V. Lundquist, Senior Planner

DATE: October 16, 2012

SUBJECT: CALIFORNIAFIRST PACE FINANCING PROGRAM

APPROVAL FOR FORWARDING:



Richard D. Spitler, City Manager

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2 **ISSUE:** Consideration of a Resolution regarding the City of Calistoga's participation in

3 the CaliforniaFIRST Program of the California Statewide Communities Development

4 Authority.

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6 **RECOMMENDATION:** Adopt Resolution

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8 **BACKGROUND:** California Communities is a joint powers authority sponsored by the

9 League of California Cities and the California State Association of Counties. The

10 member agencies of California Communities include all 58 counties and more than 400

11 other local agencies throughout California, including the City of Calistoga (the "City").

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13 The CaliforniaFIRST Program is being instituted by California Communities to allow

14 owners of property in participating cities and counties to finance renewable energy,

15 energy efficiency and water efficiency improvements on their property. If a property

16 owner chooses to participate, the improvements will be financed by the issuance of

17 bonds by California Communities. California Communities will levy "contractual

18 assessments" on the owner's property to repay the portion of the bonds issued to

19 finance the improvements on that property. California Communities has selected

20 Renewable Funding LLC to provide administration and coordinate financing for the
21 program.

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23 The CaliforniaFIRST Program is a property assessed clean energy (“PACE”) program.
24 Because of negative guidance regarding PACE provided in 2010 by the Federal
25 Housing Finance Authority (“FHFA”), the federal agency that oversees Fannie Mae and
26 Freddie Mac, the CaliforniaFIRST Program will launch initially providing only financing
27 for non-residential properties. Should the residential regulatory environment improve,
28 the CaliforniaFIRST program would expand to include residential financings. “Non-
29 residential” includes properties such as commercial, multi-family with 5 or more units,
30 industrial, and agricultural.

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32 The CaliforniaFIRST Program “contractual assessment” proceedings will be undertaken
33 by California Communities pursuant to Chapter 29 of Division 7 of the Streets &
34 Highways Code, which was amended in 2008 by Assembly Bill 811 and further
35 amended in 2009 by Assembly Bill 474, to allow the financing of renewable energy,
36 energy efficiency and water efficiency improvements on private property. Pursuant to
37 Chapter 29, assessments may be levied to finance renewable energy, energy efficiency
38 and water efficiency improvements only with the free and willing consent of the owner of
39 each lot or parcel on which an assessment is levied at the time the assessment is
40 levied, and property owners evidence their consent to the assessments by executing a
41 contract with California Communities. Since the contractual assessment will have
42 priority over pre-existing private liens, such as mortgages, notice to, and particularly
43 with non-residential properties, written consent/acknowledgement from all mortgage
44 holders of the property will be required.

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46 The benefits to the property owner include:

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- 48 • Only property owners who choose to participate in the program will have
49 assessments imposed on their property.
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 - 51 • In today’s economic environment, there may not be attractive private enterprise
52 alternatives for property owners to finance renewable energy/energy
53 efficiency/water efficiency improvements.
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 - 55 • Even if there were private enterprise alternatives, most private loans are due on
56 sale of the benefited property, which makes it difficult for property owners to
57 match the life of the repayment obligation with the useful life of the financed
58 improvements. Under the CaliforniaFIRST Program, the assessment obligation
59 will transfer with the property upon sale.

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- The property owner can choose to pay off the assessments at any time, subject to applicable prepayment penalties.
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- Regional aggregation provided by the CaliforniaFIRST Program, provides the program scale and the investment sizing that attracts private capital providers.
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67 The benefits to the City include:

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- As in conventional assessment financing, the City is not obligated to repay the bonds issued by California Communities or to pay the assessments levied on the participating properties.
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- California Communities handles all assessment administration, bond issuance and bond administration functions. A participating city can provide financing of renewable energy, energy efficiency and water efficiency improvements to property owners through the CaliforniaFIRST Program – thereby meeting its political and environmental goals -- while committing virtually no staff time to administer the program. At the same time, the program is flexible enough to be able to incorporate City resources such as enhanced marketing and outreach as determined by the City.
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82 The City Council may adopt a Resolution authorizing California Communities to accept applications from owners of property within our jurisdiction for municipal financing of renewable energy, energy efficiency and water efficiency improvements through the CaliforniaFIRST Program. It may also authorize California Communities to conduct assessment proceedings and levy assessments against the property of participating owners within our boundaries. It also may authorize miscellaneous related actions and makes certain findings and determinations required by law. California Communities would undertake a judicial validation proceeding as part of its initiation of the CaliforniaFIRST Program.

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92 Any jurisdiction can withdraw from the CaliforniaFIRST Program at any time by passing a resolution rescinding the authorization. Participating jurisdictions are also free to develop and operate other financing programs, including alternative PACE programs, independently of but concurrent to CaliforniaFIRST.

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97 **FISCAL IMPACT:** There are no fiscal impacts to the City associated with authorizing the California PACE Program or with the subsequent issuance of bonds, notes or other forms of indebtedness issued by the California PACE Programs.

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101 **ATTACHMENTS:**

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103 1. Draft Resolution

104 2. CaliforniaFIRST – Initial List of Authorized Improvements