

# CaliforniaFIRST Program Summary

## Statewide AB811 Property Assessed Clean Energy Financing Program

### Executive Summary

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The California Statewide Communities Development Authority (“California Communities”) is pleased to provide this information and update on the new CaliforniaFIRST AB 811 renewable energy, energy efficiency, and water efficiency project-financing program.

The Program is designed to allow property owners to install renewable energy, energy efficiency, and water efficiency projects and repay those costs as a line item on their property tax bill. The CaliforniaFIRST team will take care of most of the work – establishing and designing the Program, providing the capital, and administering the Program to property owners. We work with Counties and Cities to deploy a customized marketing campaign and web portal tailored to their area and to ensure CaliforniaFIRST integrates with existing programs and services.

### Services provided by the CaliforniaFIRST Program Team:

1. Program Formation and Adoption
  - Local Agency Documents: Public Notice, Sample Staff Report, Resolution to Join CaliforniaFIRST
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  - Handle legal validation for each county program
  - Bond, disclosure and issuer’s counsel
  - Support for local questions regarding documents, bond process and other legal issues
2. Program Finance
  - Interim financing for micro-bond process
  - Bond underwriting
  - Bonds issued by California Communities
  - Bond sale and market placement
  - Tax roll preparation in County-required format
3. Program Administration
  - Stakeholder coordination
  - Design and development of policies, terms, eligibility criteria, application process
  - Application processing and approval; Funding request processing, approval and payment
  - Basic marketing services and guidelines: marketing tool kit with logo/branding, customizable brochure, press release template, standard presentation deck, utility/rebate program coordination
  - Develop and maintain County web portal
  - Customer service through email and toll-free number
  - Training for local government staff



## **Local responsibilities for city/county staff for implementing the CaliforniaFIRST Program:**

1. Identify a local point of contact for communications with the CaliforniaFIRST program
  - In the initial implementation stage we will need to work with the county to make decisions on local branding of the web portal (approximately 20 hours)
  - CaliforniaFIRST will provide training for local staff (via webinar) on program requirements (approximately 2 hours)
  - Update meetings (approximately 1-2 hours every other week)
  - Coordinate with local cities (approximately 5 hours/week)
2. Provide local assistance to customer questions
  - CaliforniaFIRST will have a website with information, email for general questions, and toll-free line for program participants; however, it is likely that some interested property owners may call the county directly. (approximately 2-4 hours/week)
3. Optional: Develop additional local marketing and outreach
  - The county/city may choose to do additional marketing and outreach beyond what is provided by the Program, this is not required by the Program.

## **CaliforniaFIRST: Program Overview**

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The California Statewide Communities Development Authority (“California Communities”) is a statewide joint powers authority sponsored by the California State Association of Counties and the League of California Cities. Its mission is to provide local governments access to low-cost financing for projects that provide a tangible public benefit, contribute to social and economic growth, and improve the overall quality of life in local communities. The California Communities currently has 500 local government members and has issued more than \$44 billion in municipal debt since 1988.

Following a competitive process, California Communities selected Renewable Funding and Royal Bank of Canada Capital Markets as project partners to offer a complete AB 811 program to cities and counties throughout the State, including administration, legal and finance. The founders of Renewable Funding helped create the property assessed clean energy (PACE) program model and are assisting cities, counties, and states across the country to launch these financing programs. RBC Capital Markets is a leading underwriter of municipal bonds, with issuance volume of more than \$100 billion since 2004.

The Program’s legal counsel includes Jones Hall (bond counsel) and Orrick, Herrington & Sutcliffe LLP (issuers and disclosure counsel). The California Center for Sustainable Energy (CCSE) and EcoMotion are program partners. They are participating in program design and will be involved in providing services to some communities. Other program partners or affiliates may be added.



## Preliminary Program Structure

The Program will include residential, multifamily, commercial and industrial properties. The categories of buildings and how they are addressed in the Program is outlined below. It is possible that the financing structure associated with the building categories may change dependent on market demand, bond rates, and other factors.

## Property Types

- Residential and Small Multi-Family consists of single family and small multi-family properties. These properties include detached single family homes, duplexes, triplexes, quadplexes, townhouses, twin homes, and multifamily and tenancy in common properties with up to four units. All commercially owned properties, regardless of size or financed amount, will require lender consent for approval in the CaliforniaFIRST Program.
- Large Multi-Family and Non-Residential consists of commercial, industrial, large multifamily, community facilities, and non-profit-owned properties. Large multifamily properties are defined as those that contain five or more units.

## Financing Structure

As a state joint powers authority, California Communities can create county-level assessment districts and aggregate financed projects from across the state into a single parity bond. This mechanism allows for larger volume and diversity of the bond pool, while centralizing the administration, legal and financing components of a program, which covers a vast geographic area. The below bond approaches may be used within the CaliforniaFIRST Program in order to gain the best possible interest rate and respond to market needs.

- Microbonds: "Micro-bonds" are bonds issued to finance the installation of authorized improvements for one or a limited number of properties. These bonds will be purchased and remarketed to the public bond market when a significant number of micro-bonds have been issued. The interest rate on micro-bonds will be set daily or weekly based on the 20-year Treasury. The interest rate on bonds issued for the CaliforniaFIRST Program will be reflected in the amount of the contractual assessments paid by property owners, and the contractual assessments will be fixed for the duration of the repayment period in the assessment contract. Property owners may drop out of the Program up to the time the lien is placed on the home without penalty beyond the cost of the application fee.
- Pooled bond: "Pooled bonds" are bonds issued to finance the installation of authorized improvements for a large group of properties. Pooled bonds will be sold to the market on a quarterly or more frequent basis depending upon the demand for financing by property owners in the Program. In order to facilitate pooled bond financings, assessment contracts will be signed by property owners prior to issuance of the pooled bonds. The contractual assessments will reflect a not-to-exceed interest rate on the pooled bonds. No bonds will be issued if the not to exceed interest rate would be exceeded. If a property owner withdraws from the CaliforniaFIRST Program after the assessment contract has been signed and/or pooled bonds have been issued, the property owner must pay the costs associated with removing the lien, including the administrative, financing, and pre-payment costs.



- *Stand-Alone*: Large commercial projects may be eligible for a stand-alone bond issuance dependent on the size and type of project. Banks and other financing partners may be utilized to provide funding for these projects. Under this approach, California Communities will issue a bond and the bank or other financing partner will purchase the bond.

### **CaliforniaFIRST: How Does a City and County Participate?**

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To participate in the Program, cities and counties must meet the following requirements:

- Cities and counties interested in partnering to develop the Program must be willing to provide sufficient staff support to assist in the development, marketing and implementation of the Program.
- Cities and counties must be members of the California Communities. All California counties, and most cities, are already members of California Communities. You can confirm your membership at [www.cacommunities.org/docs/members.aspx](http://www.cacommunities.org/docs/members.aspx). If you are not yet a member, it is free to join. The resolution to join the California Communities is available on the same website. It must be adopted in advance of or concurrently with the final “Resolution to Join CaliforniaFIRST.”
- Adopt the “Resolution to Join the CaliforniaFIRST Program”.
- Payment of Set-Up Fees. All participating cities and counties must pay a set-up fee, which varies depending on population. Set-up fees are due prior to the initiation of the validation proceedings.

Once the resolution is adopted and fees paid, the California Communities team will conduct all the legal work to set up the CaliforniaFIRST Program, including judicial validation of the Program. The team will work with city or county staff on the timing and marketing of the Program, as well as requested customizations to the standard program, including local branding at the county level.

Cities and counties are encouraged to integrate the Program with existing climate change and energy efficiency marketing or other efforts. The Program Team will provide city and county staff information on program applications and other metrics through regular program reports. In addition, every city or county will be assigned a dedicated program manager from the CaliforniaFIRST team.

The vast majority of start up and operational costs will be paid by program participants (i.e. property owners who elect to participate) through administration and financing fees. However, a modest set-up fee for cities and counties is charged to cover baseline legal and technology costs. See “Set-Up Fees” below for the fee schedule. Fees range from \$10,000 for cities under 20,000 in population to \$25,000 for the largest jurisdictions. These fees may come down over time and are subject to change.



## Set-Up Fees

Per City or County	Level 1	Level 2	Level 3	Level 4	Level 5
Population	under 20K	21 K - 75 K	75 K - 200 K	201 K to 500 K	over 500K
Legal & Validation Process	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
Technology Set-Up	\$2,500	\$5,000	\$7,500	\$12,500	\$17,500
<b>Total</b>	<b>\$10,000</b>	<b>\$12,500</b>	<b>\$15,000</b>	<b>\$20,000</b>	<b>\$25,000</b>

### Explanation of Costs

The CaliforniaFIRST Program has been designed such that participating property owners will pay all on-going program costs associated with the state-level administration of the Program. Cities and counties participating in the CaliforniaFIRST Program will be required to pay a one-time set-up fee associated with initial legal and technology costs. The legal costs are primarily to cover validation proceedings; technology costs are primarily to cover data acquisition, configuration, and portal customization.

CaliforniaFIRST operates by forming assessment districts at the countywide level. To allow for a complete judicial validation, we require the county and at least one incorporated city within that county to have passed the resolution and paid the fees.

This set-up fee covers the city or county's costs for the launch of a CaliforniaFIRST Program, exclusive of local staff time. The full program includes one web portal per county including education and application materials, customer service, a marketing tool kit, regular reporting, financing, and a dedicated program manager to serve as liaison to the city or county. All on-going state-level program costs will be paid by program participants. The tax assessor's fee is built into the interest rate spread and will be covered by the program participants.

Additional services are available to further customize the Program; such as to provide additional marketing or local stakeholder engagement, deploy customized web portals for each city (in addition to the countywide portal), integrate existing programs into the financing, or provide a physical "storefront" in the community. There will be an additional fee for each of these additional services. All additional services provided by Renewable Funding or our program partners will be arranged on a case-by-case basis.

### Estimated Timeline

Initial CaliforniaFIRST pilot participants adopt Resolution to Join	January 2010
Next group of counties and cities begin Resolution process	May 2010
Next group of counties and cities pass Resolution to Join	July 2010
Program launch for next group of counties and cities	Fall 2010

### Contract Information

Please contact Renewable Funding with questions about the CaliforniaFIRST Program.

Annie Henderson, Program Director

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Email: [annie@renewfund.com](mailto:annie@renewfund.com)

Address: 1746 Broadway, 3<sup>rd</sup> Floor Oakland, CA 94612



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