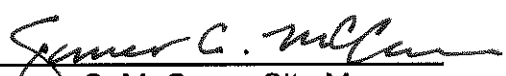


City of Calistoga

Staff Report

TO: Honorable Mayor and City Council
FROM: Erik V. Lundquist, Associate Planner
Brad Cannon, Building Official
VIA: Charlene Gallina, Director of Planning & Building
DATE: May 18, 2010
SUBJECT: Potential Development of Calistoga Energy Conservation and Renewable Energy Program per Assembly Bill 811 (Levine)

APPROVAL FOR FORWARDING:


James C. McCann, City Manager

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ISSUE: Discussion regarding the potential development of a Calistoga Energy Conservation and Renewable Energy Program per Assembly Bill 811.

RECOMMENDATION: Receive report, discuss and provide direction

BACKGROUND/SUMMARY: On August 18, 2009 the City Council held a special joint meeting, wherein they solicited comments and discussed the preliminary draft Napa Countywide Climate Action Plan and supplemental Climate Action Plan (CAP) Framework. Subsequent to discussion, the City Council adopted Resolution No. 2009-070 establishing a greenhouse gas emissions reduction target of 15% below 2005 emission levels by 2020 and supporting certain countywide and local actions to achieve these targets. One such local action implores the City to *“Implement an AB811 program, making funding available to residential and commercial property owners seeking to improve their properties to conserve energy and water, and to generate solar energy.”*

Assembly Bill 811 (Levine) authorizes cities and counties to establish voluntary contractual assessment programs to fund an array of conservation and renewable energy projects proposed by property owners. The program aims to remove a major hurdle for property owners, specifically the availability of up front funds to pay for such projects and a simple method of repaying the funds through their property tax bills. It

23 also removes another homeowner concern, the perception that their investment will be
24 lost if they sell the property.

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26 Adoption and implementation of an AB 811 program can result in several beneficial
27 outcomes:

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29 1. By encouraging the retrofitting of existing buildings, this program will assist the
30 City in moving toward reducing its greenhouse gas (GHG) emissions. The City
31 Council is reminded that the largest GHG contributors in the city are from
32 transportation and buildings.

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34 2. The program is likely to stimulate construction activity, resulting in job creation,
35 additional building permit fees, and other positive economic outcomes.

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37 3. If the program can be expanded to commercial properties, companies
38 considering relocating to Calistoga may find the availability of this program
39 attractive in their decision-making process.

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41 4. Since the program might (in the future) apply to water efficiency projects, it could
42 also work towards improving the City's overall water availability and conservation
43 efforts.

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45 Simply put, the program allows homeowners to borrow money from a government entity
46 (or some other pool of money), use the funds to improve the efficiency of their home or
47 business, and then repay the loan over a period of up to 20 years through an
48 assessment on their property tax bills. Our role in government is to determine how best
49 to create that pool of money, how to market and administer the program, and how to
50 collect the payments through the tax collection process.

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52 Since the adoption of AB 811 the City has been researching various implementing
53 programs. The programs continue to evolve. At this time there are three distinct funding
54 models.

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56 1. Self Funding - Sonoma County

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58 Sonoma County implemented their program on March 24, 2009. Sonoma opted to self
59 fund the program from their own treasury, borrowing the money at 3%, loaning it to
60 citizens at 7%, and using the 4% difference to cover their administrative costs. As such,
61 they are essentially acting as a bank. Loans are paid back to the County via the tax
62 rolls. Sonoma will attempt to "securitize" these loans in order to pay back the treasury in
63 a timely manner.

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65 The Sonoma program includes funding for energy efficiency projects, solar and other
66 renewable energy projects, and also includes fund for water conservation projects.
67 Sonoma has a marketing program (including a physical storefront and web presence)
68 staffed by about 5 FTEs that are paid for through program fees. See
69 <http://www.sonomacountyenergy.org/index.php> for more information.

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71 2. Private Equity – (City of Berkeley)

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73 The City of Berkeley contracted with a third party financing and administrative entity,
74 who agreed to provide all the capital for the pilot program by purchasing micro-bonds on
75 demand to fund the projects on private property. That debt is once again paid back
76 through the tax assessments.

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78 3. Regional Model (CSCDA or ABAG)

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80 Two regional programs, which intend to create a fund of money that property owners in
81 any jurisdiction can access, are being developed.

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83 A. CSCDA

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85 Recently California Statewide Communities Development Authority (CSCDA) (also
86 known as "California Communities") has moved forward with rolling out their statewide
87 program. The program is officially known as CaliforniaFIRST.

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89 Phase I (the pilot program) is in the process of being rolled out by CSCDA. Fourteen
90 Counties and some cities volunteered their staff (and paid a fee) to assist CSCDA with
91 developing the program. Elements of the pilot include obtaining legal validation of the
92 program, resolving whether Proposition 218 requirements apply to the individual
93 assessments, determining appropriate means of financing, development of the
94 application process (a web site), policies and procedures, which types of projects will be
95 allowed to enter the program, quality assurance, and many other issues. CSCDA
96 believes they are on track to finish roll-out of Phase 1 in June, 2010. Once Phase I is
97 operational, CSCDA will immediately open applications for those Cities and Counties
98 wanting to join Phase II. Napa County has already indicated to CSCDA that they are
99 interested in joining Phase II. The City Council should consider the City's interest in this
100 program.

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102 While significant details of the program are being worked out by CSCDA in Phase I, it is
103 expected that Phase II will become available as a proven, "turnkey" program that the
104 County can join. For instance, Phase I is for residential projects only, and does not

105 include improvements related to water efficiency. CSCDA hopes to be able to remove
106 these impediments in Phase II. CSCDA will design the program, provide the Capital,
107 and administer the program, including accepting applications and screening for eligible
108 property owners and projects.

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110 *B. ABAG*

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112 ABAG is also developing a Regional AB 811 plan, but their implementation schedule is
113 less clear and is behind the CSCDA schedule, and their program was even more
114 dependent on the passage of SB 279.

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116 **STAFF RECOMMENDATION:**

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118 The AB 811 program holds the promise of significantly improving the energy efficiency
119 of the buildings, stimulating construction activity, and doing so throughout the City and
120 County at minimal risk. It has proven to be very well received in other jurisdictions
121 where it has been offered. Staff recommends that we continue to follow the details of all
122 the available programs, but focus primarily on the second phase of the CSCDA
123 program, which is in line with the County's approach. Additionally, St. Helena,
124 Yountville and the City of Napa are interested in the CSCDA program which could
125 provide marketing opportunities.

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127 Should the Council desire to move forward with CSCDA, staff will return to the Council
128 in June or July, upon consultation with the Community Resources Commission (CRC)
129 and a general sense of support in the community, with a request to adopt a resolution
130 stating the City's intent to establish a program. A draft resolution, provided by CSCDA,
131 is attached for the Council's information. Their draft would of course be made specific to
132 the City of Calistoga prior to adoption. The Council would need to authorize the \$10,000
133 appropriation (via the budget process) for the application fee, as well as authorize funds
134 (if any) for marketing the program. After CSCDA receives the resolution and fees, they
135 will establish the formal financing entity (the "District", with boundaries identical to those
136 of City), will work with the City to put in place a City specific web site which applicants
137 can use to gather information and make applications, and CSCDA will work with the
138 Napa County Treasurer-Tax Collector and Auditor to put the collection systems in place.
139 It is expected applications will be accepted starting sometime in the fall.

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141 Applicants should be aware that CSCDA must receive a certain value of applications
142 (as yet to be determined) before they are able sell bonds to provide the money to do the
143 improvements. Thus there is a lag time (some number of months) between when
144 applications are made and when the loan is actually provided. Interest rates offered will
145 be a function of the market at the time financing is obtained by CSCDA.

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FISCAL IMPACT:

Should the Council choose to join the CSCDA program, the City will need to pay an entrance fee (expected to be \$10,000). This expense would be a new net City cost, and would be included in the FY 2010-2011 budget proposal for Council consideration. The City Council has historically budgeted funds toward "Green" efforts, however, depending upon budget decisions in June, funding may or may not be available. The City will be able to decide what level of effort we want to commit to marketing the program at our own expense. We are not obligated to market the program at any particular level (and therefore no additional staff are required), and no additional funds would have to be budgeted to do so.

If the City chooses not to join, the program would not be available to property owners. The program could be reconsidered at a later date when funds become available.

ATTACHMENTS:

1. Media Fact Sheet on the CaliforniaFIRST Program
2. CaliforniaFIRST Program Summary
3. Sample Resolution to Join