

ENERGY AND ENVIRONMENT COMMITTEE REPORT relative to the City's participation in the Property Assessed Clean Energy Program (PACE) and Home Energy Renovation Opportunity (HERO) for residential properties.

Recommendations for Council action, as initiated by Motion (Blumenfield - Fuentes):

1. NOTE and FILE the November 3, 2014 Los Angeles Department of Water and Power (LADWP) report, inasmuch as this report is for information only and no Council action is required.
2. REQUEST the County of Los Angeles to implement PACE expeditiously and to include the following components in the Program:
  - a. Consumer protection to ensure good work at reasonable cost.
  - b. Coordination with the LADWP to manage utility incentives in conjunction with PACE financing.
  - c. Permitting multiple PACE providers to encourage competition and potentially lower financing rates.
3. INSTRUCT the City Administrative Officer (CAO), in conjunction with the Chief Legislative Analyst (CLA) and LADWP, to report on options to join an existing Joint Powers Authority PACE program in an expeditious manner in case the County of Los Angeles' implementation of PACE is prolonged.
4. REQUEST the LADWP to immediately initiate work on outreach to the public in regard to PACE.

Fiscal Impact Statement: Neither the CAO nor the CLA has completed a financial analysis of this report.

Community Impact Statement: None submitted.

Summary:

On August 20, 2014, your Committee considered a Motion (Blumenfield - Fuentes) relative to the City's participation in PACE and HERO for residential properties. According to the Motion, the costs of installing and participating in energy efficient features such as solar panels and the costs of installing water conservation measures such as artificial turf are a major hindrance for many residential and commercial users and prevent the growth of energy and water efficiency. While there are some programs/proposals which would help finance such programs through property assessed financing mechanisms, little information is available about these programs on the City or LADWPs' web sites.

These programs, which were initiated pursuant to state legislation enacted in 2009 [Assembly Bill No. 474 (Blumenfield)] are as follows:

- a. Property Assessed Clean Energy (PACE) is a financing option available to Los Angeles County commercial, industrial and multi-family property owners to fund on-site energy efficiency, renewable energy and water-saving improvements that enhance a building's value while lowering greenhouse gas emissions and creating jobs. A unique financing tool, PACE allows the County to issue a bond to a lender, which secures funding for the construction of an energy upgrade. Property owners then repay financing twice a year through an assessment on their property tax bill.
- b. Home Energy Renovation Opportunity (HERO) was created to enable cities and counties to provide homeowners and businesses with financing to pay for energy efficiency, water efficiency, and renewable energy products and their installation. Once a city or county has elected to participate in the California HERO Program owners of homes within such city or county may borrow money through the California HERO Program. Homeowners repay the financing through annual installments collected on their property tax bill. Participation in the Program is completely voluntary. Residential property owners agree to repay the amount financed over a 5-, 10-, 15- or 20-year period dependent upon the Eligible Products being financed. A wide variety of energy and water efficiency products permanently affixed to the property can qualify for this program. These important programs can help the City meet its energy and water conservation goals.

After consideration and having provided an opportunity for public comment, the Committee moved to continue this matter pending a report-back from the LADWP.

Subsequently, on November 5, 2014, the Committee once again considered this matter. Also, the LADWP submitted a November 3, 2014 report in Committee. According to the LADWP, PACE is a financing option that allows property owners to finance energy and water efficiency, and renewable energy projects through an assessment on their property tax bill. To support this financing, the County issues a bond to a lender, which secures funding for the construction of the energy/water upgrade. The cost of the financing appears on the property tax bill and is repaid by the property owner.

HERO is one model of home efficiency retrofits coupled with PACE financing; HERO administers the program, coordinates the installation of the efficiency measures, arranges financing through PACE, and works with the local government to facilitate the property tax assessment and repayment. Other models couple PACE financing with existing utility incentives to reduce customers' borrowed amounts. Los Angeles County currently administers a PACE financing program for commercial properties in the County unincorporated area and within cities that have opted into the program, including the City. Recently, cities represented by the South Bay Cities Council of Governments and the San Gabriel Cities Council of Governments joined the HERO program to make PACE available to residents in their jurisdictions.

Additionally, the County Supervisors earlier this year approved the development of a County-sponsored residential PACE program. County staff developed and released a Request for Proposals for PACE Program Administration on August 26, with proposals due on September 30, 2014. Multiple proposals were received. The County is proceeding with the proposal review and negotiation process, and expects this process to be completed by the end of the year. Assuming the process stays on track, the County anticipates having the residential PACE program up and running in the second quarter of 2015. In the meantime, County staff is proceeding with other necessary tasks to set up bond issuance procedures.

The LADWP also noted that the Committee's specific interest the following criteria for a County program: consumer protection to ensure good work at reasonable cost, willingness to work with LADWP to coordinate utility incentives in conjunction with PACE financing, and allowing multiple PACE providers to encourage competition and potentially lower financing rates. In addition, committee members addressed the need to ensure adequate marketing of PACE offerings within the city, once the program becomes available. The first three of these criteria are addressed in the County's review and negotiation process, although the results will not be known until the County makes its final selection(s). Once a PACE administrator is selected by the County, residential properties within the city will automatically be eligible for PACE since the city already participates in the commercial PACE program. At that time, the LADWP will coordinate with the County, the PACE provider(s) and other appropriate city offices on marketing the program to city residents.

After further consideration, the Committee moved to note and file the November 3, 2014 LADWP report, inasmuch as it is for information only and no Council action is required. The Committee next recommended requesting the County of Los Angeles to implement PACE as expeditiously as possible, as described in Recommendation No. 2. Additionally, the Committee moved to recommend instructing the CAO, in conjunction with the CLA and LADWP, to report on options to join an existing Joint Powers Authority PACE program in an expeditious manner in case the County of Los Angeles' implementation of PACE is prolonged, as detailed in Recommendation No. 3. Finally, the Committee recommended requesting the LADWP to immediately initiate work on outreach to the public in regard to PACE. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

**ENERGY AND ENVIRONMENT COMMITTEE**

<b><u>MEMBER</u></b>	<b><u>VOTE</u></b>
FUENTES:	YES
BLUMENFIELD:	YES
LABONGE:	ABSENT
HUIZAR:	YES
KORETZ:	YES

ARL  
11/5/14

**-NOT OFFICIAL UNTIL COUNCIL ACTS-**