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November 3, 2014

The Honorable City Council
Office of the City Clerk
Room 395, City Hall
Mail Stop 160

Attention: Councilmember Felipe Fuentes
Chair, Energy and Environment Committee

Date: 11/5/14
Submitted in E&E Committee
Council File No: 14-0812
Item No.: 2
Deputy: Adam R. Lid

Dear Honorable Members:

Subject: Council File No. 14-0812 – Los Angeles Department of Water and Power (LADWP)) report to the Council regarding the City's participation in the Property Assessed Clean Energy Program and the Home Energy Renovation Opportunity

This report is in response to the motion (Blumenfield – Fuentes) that asked the LADWP to report on the City of Los Angeles' (City) potential participation in the Property Assessed Clean Energy (PACE) program and the Home Energy Renovation Opportunity (HERO) for residential properties and the steps needed to implement and publicize this type of financing program for energy and water efficiency and renewable energy projects.

Background Information

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 (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.

Los Angeles County Residential PACE Process

As described at the August 20, 2014 Energy and Environment Committee meeting, 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.

Committee Direction

Committee members were particularly interested in 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, LADWP will coordinate with the County, the PACE provider(s) and other appropriate city offices on marketing the program to city residents.

Recommendation


The County's selection process appears to be moving quickly, and is expected to conclude by the end of the year. This process offers the best opportunity to satisfy committee members' requirements for a local residential PACE program and contract with a PACE provider in a reasonable period of time. However, if the results of the County process are not satisfactory to the city, options remain to opt out of the County's program or bring another PACE provider on board to serve LA City residents in addition the County's provider. Therefore, LADWP recommends that the City continue to actively

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monitor the County process and, when that process concludes, to evaluate whether the County's PACE program provides sufficient options and protections to the City's residential property owners.

If you have any questions or require further information, please contact me at (213) 367-1338, or have a member of your staff contact Ms. Winifred J. Yancy, Director of Intergovernmental Affairs and Community Relations, at (213) 367-0025.

Sincerely,



Marcie L. Edwards
General Manager

GH:dms

c: Councilmember Bob Blumenfield, Vice-Chair, Energy and Environment Committee
Councilmember Jose Huizar, Member
Councilmember Paul Koretz, Member
Councilmember Tom LaBonge, Member
Ms. Winifred J. Yancy