

File No. 14184

Committee Item No. 11

Board Item No. 20

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date December 3, 2014

Board of Supervisors Meeting

Date 12/9/14

Cmte Board

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Completed by: Linda Wong Date November 26, 2014
 Completed by: L.W. Date 12/4/14

1 [Authorizing Participation in the California Home Energy Renovation Opportunity Program -
2 Renewable Energy Financing Program]

3 **Resolution consenting to the inclusion of properties within the City's jurisdiction in the**
4 **California Home Energy Renovation Opportunity Program to finance distributed**
5 **generation renewable energy sources, energy and water efficiency improvements, and**
6 **electric vehicle charging infrastructure; and approving the amendment to a certain joint**
7 **powers agreement related thereto.**

8
9 WHEREAS, The Western Riverside Council of Governments ("Authority") is a joint
10 exercise of powers authority established pursuant to Chapter 5 of Division 7, Title 1 of the
11 Government Code of the State of California (Section 6500 and following) (the "Act") and the
12 Joint Power Agreement entered into on April 1, 1991, as amended from time to time (the
13 "Authority JPA"); and

14 WHEREAS, The Authority intends to establish the California Home Energy Renovation
15 Opportunity ("HERO") Program to provide for the financing of renewable energy distributed
16 generation sources, energy and water efficiency improvements and electric vehicle charging
17 infrastructure (the "Improvements") pursuant to Chapter 29 of the Improvement Bond Act of
18 1911, being Division 7 of the California Streets and Highways Code ("Chapter 29") within
19 counties and cities throughout the State of California that elect to participate in such program;
20 and

21 WHEREAS, The City and County of San Francisco (the "City") is committed to
22 development of renewable energy sources and energy efficiency improvements, reduction of
23 greenhouse gases, protection of our environment, and reversal of climate change; and
24
25

1 WHEREAS, Pursuant to Chapter 29, the Legislature has authorized local governments
2 to assist property owners in financing the cost of installing the Improvements through a
3 voluntary contractual assessment program; and

4 WHEREAS, Installation of such Improvements by property owners within the
5 jurisdictional boundaries of the local governments that are participating in the California HERO
6 Program would promote the purposes cited above; and

7 WHEREAS, The City wishes to provide innovative solutions to its property owners to
8 achieve energy and water efficiency and independence, and in doing so cooperate with
9 Authority in order to efficiently and economically assist property owners the City in financing
10 such Improvements; and

11 WHEREAS, The Authority has authority to establish the California HERO Program,
12 which will be such a voluntary contractual assessment program, as permitted by the Act, the
13 Authority JPA, originally made and entered into April 1, 1991, as amended to date, and the
14 Amendment to Joint Powers Agreement Adding the City and County of San Francisco as an
15 Associate Member of the Western Riverside Council of Governments to Permit the Provision
16 of Property Assessed Clean Energy (PACE) Program Services within the City (the "JPA
17 Amendment"), by and between Authority and the City, a copy of which is attached as Exhibit 1
18 hereto, to assist property owners within the incorporated area of the City in financing the cost
19 of installing Improvements; and

20 WHEREAS, The City will not be responsible for the conduct of any assessment
21 proceedings; the levy and collection of assessments or any required remedial action in the
22 case of delinquencies in the payment of any assessments or the issuance, sale or
23 administration of any bonds issued in connection with the California HERO Program; and
24 now, therefore, be it
25

1 RESOLVED, That this Board finds and declares that properties in the City's
2 incorporated area will be benefited by the availability of the California HERO Program to
3 finance the installation of Improvements; and, be it,

4 FURTHER RESOLVED, That this Board consents to inclusion in the California HERO
5 Program of all of the properties in the incorporated area within the City and to the
6 Improvements, upon the request by and voluntary agreement of owners of such properties, in
7 compliance with the laws, rules and regulations applicable to such program; and to the
8 assumption of jurisdiction there over by Authority for the purposes thereof; and, be it,

9 FURTHER RESOLVED, That the consent of this Board constitutes assent to the
10 assumption of jurisdiction by Authority for all purposes of the California HERO Program and
11 authorizes Authority, upon satisfaction of the conditions imposed in this resolution, to take
12 each and every step required for or suitable for financing the Improvements, including the
13 levying, collecting and enforcement of the contractual assessments to finance the
14 Improvements and the issuance and enforcement of bonds to represent and be secured by
15 such contractual assessments; and, be it

16 FURTHER RESOLVED, That this Board hereby approves the JPA Amendment and
17 authorizes the execution thereof by appropriate City officials; and, be it

18 FURTHER RESOLVED, That City staff, including the Mayor, the Controller, the
19 Director of the Controller's Office of Public Finance, the Executive Director of the Department
20 of the Environment, are hereby authorized and directed to execute such closing certificates,
21 requisitions, agreements and related documents as are reasonably necessary, including but
22 not limited to the Amendment to the JPA Amendment attached hereto as Exhibit 1, and to
23 coordinate with Authority staff to facilitate operation of the California HERO Program within
24 the City, and report back periodically to this Board on the operation and effectiveness of such
25 program; and, be it

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FURTHER RESOLVED, That This Resolution shall take effect immediately upon its adoption, and that the Clerk of the Board is hereby authorized and to send a certified copy of this resolution to the Secretary of the Authority Executive Committee at 4080 Lemon Street, 3rd Floor, Riverside, CA 92501.

Attachment 1

AMENDMENT TO THE JOINT POWERS AGREEMENT ADDING CITY OF AS AN ASSOCIATE MEMBER OF THE WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS TO PERMIT THE PROVISION OF THE CALIFORNIA HERO PROGRAM SERVICES WITH SUCH CITY

This Amendment to the Joint Powers Agreement ("JPA Amendment") is made and entered into on the ___ day of ___, 2014, by City of ___ ("City") and the Western Riverside Council of Governments ("Authority") (collectively the "Parties").

RECITALS

WHEREAS, Authority is a joint exercise of powers authority established pursuant to Chapter 5 of Division 7, Title 1 of the Government Code of the State of California (Section 6500 and following) (the "Joint Exercise of Powers Act") and the Joint Power Agreement entered into on April 1, 1991, as amended from time to time (the "Authority JPA"); and

WHEREAS, as of October 1, 2012, Authority had 18 member entities (the "Regular Members").

WHEREAS, Chapter 29 of the Improvement Bond Act of 1911, being Division 7 of the California Streets and Highways Code ("Chapter 29") to authorize cities, counties, and cities and counties to establish voluntary contractual assessment programs, commonly referred to as a Property Assessed Clean Energy ("PACE") program, to fund various renewable energy sources, energy and water efficiency improvements, and electric vehicle charging infrastructure (the "Improvements") that are permanently fixed to residential, commercial, industrial, agricultural or other real property; and

WHEREAS, Authority intends to establish a PACE program to be known as the "California HERO Program" pursuant to Chapter 29 as now enacted or as such legislation may be amended hereafter, which will authorize the implementation of a PACE financing program for cities and county throughout the state; and

WHEREAS, City desires to allow owners of property within its jurisdiction to participate in the California HERO Program and to allow Authority to conduct proceedings under Chapter 29 to finance Improvements to be installed on such properties; and

WHEREAS, this JPA Amendment will permit City to become an associate member of Authority and to participate in California HERO Program for the purpose of facilitating the implementation of such program within the jurisdiction of City; and

WHEREAS, pursuant to Government Code sections 6500 et seq., the Parties are approving this JPA Agreement to allow for the provision of PACE services, including the operation of a PACE financing program, within the incorporated territory of City; and

WHEREAS, the JPA Amendment sets forth the rights, obligations and duties of City and Authority with respect to the implementation of the California HERO Program within the incorporated territory of City.

MUTUAL UNDERSTANDINGS

NOW, THEREFORE, for and in consideration of the mutual covenants and conditions hereinafter stated, the Parties hereto agree as follows:

A. JPA Amendment.

1. The Authority JPA. City agrees to the terms and conditions of the Authority JPA, attached.

2. Associate Membership. By adoption of this JPA Amendment, City shall become Associate Member of Authority on the terms and conditions set forth herein and the Authority JPA and consistent with the requirements of the Joint Exercise of Powers Act. The rights and obligations of City as an Associate Member are limited solely to those terms and conditions expressly set forth in this JPA Amendment for the purposes of implementing the California HERO Program within the incorporated territory of City. Except as expressly provided for by the this JPA Amendment, City shall not have any rights otherwise granted to Authority's Regular Members by the Authority JPA, including but not limited to the right to vote on matters before the Executive Committee or the General Assembly, right to amend or vote on amendments to the Authority JPA, and right to sit on committees or boards established under the Authority JPA or by action of the Executive Committee or the General Assembly, including, without limitation, the General Assembly and the Executive Committee. City shall not be considered a member for purposes of Section 9.1 of the Authority JPA. City shall not be bound by any subsequent amendments of the Authority JPA not expressly agreed to by City.

3. Rights of Authority. This JPA Amendment shall not be interpreted as limiting or restricting the rights of Authority under the Authority JPA. Nothing in this JPA Amendment is intended to alter or modify Authority Transportation Uniform Mitigation Fee (TUMF) Program, the PACE Program administered by Authority within the jurisdictions of its Regular Members, or any other programs administered now or in the future by Authority, all as currently structured or subsequently amended.

4. Rights of City. This JPA Amendment shall be not interpreted as limiting or restricting the rights of City to establish parameters or limitation on upon the HERO Program as it is conducted within City's jurisdiction.

B. Implementation of California HERO Program within City Jurisdiction.

1. Boundaries of the California HERO Program within City Jurisdiction. City shall determine and notify Authority of the boundaries of the incorporated territory within City's jurisdiction within which contractual assessments may be entered into under the California HERO Program (the "Program Boundaries"), which boundaries may include the entire incorporated territory of City or a lesser portion thereof, upon approval of same by City Council.

2. Determination of Eligible Improvements. Subject to any parameters or limitations provided in the resolution of City approving the conduct of the HERO Program within City's jurisdiction, Authority shall determine the types of distributed

generation renewable energy sources, energy efficiency or water conservation improvements, electric vehicle charging infrastructure or such other improvements as may be authorized pursuant to Chapter 29 (the "Eligible Improvements") that will be eligible to be financed under the California HERO Program.

3. Establishment of California HERO Program. Authority will undertake such proceedings pursuant to Chapter 29 as shall be legally necessary to enable Authority to make contractual financing of Eligible Improvements available to eligible property owners within the California HERO Program Boundaries and will be solely responsible for the conduct of such proceedings.

4. Financing the Installation of Eligible Improvements. Upon approval of the conduct of the HERO Program within City's jurisdiction, Authority shall be solely responsible to develop and implement a plan for the financing of the purchase and installation of the Eligible Improvements under the California HERO Program.

5. Ongoing Administration. Authority shall be responsible for the ongoing administration of the California HERO Program, including but not limited to producing education plans to raise public awareness of the California HERO Program, soliciting, reviewing and approving applications from residential and commercial property owners participating in the California HERO Program, establishing contracts for residential, commercial and other property owners participating in such program, establishing and collecting assessments due under the California HERO Program, adopting and implementing any rules or regulations for the PACE program, and providing reports as required by Chapter 29.

The City will not be responsible for the conduct of any proceedings required to be taken under Chapter 29; the levy or collection of assessments or any required remedial action in the case of delinquencies in such assessment payments; or the issuance, sale or administration of the Bonds or any other bonds issued in connection with the California HERO Program.

6. Phased Implementation. The Parties recognize and agree that implementation of the California HERO Program as a whole can and may be phased as additional other cities and counties execute similar agreements. City entering into this JPA Amendment will obtain the benefits of and incur the obligations imposed by this JPA Amendment in its jurisdictional area, irrespective of whether cities or counties enter into similar agreements.

C. Miscellaneous Provisions.

1. Withdrawal. Authority may withdraw from this JPA Amendment upon six (6) months written notice to City; provided, however, there is no outstanding indebtedness of Authority within City. The provisions of Section 6.2 of the Authority JPA shall not apply to City under this JPA Amendment. City may withdraw approval for conduct of the HERO Program within the jurisdictional limits of City upon thirty (30) written notice to WRCOG without liability to the Authority or any affiliated entity. City withdrawal shall not affect the validity of any voluntary assessment contracts (a) entered prior to the date of such withdrawal or (b) entered into after the date of such withdrawal so long as the applications for such

voluntary assessment contracts were submitted to and approved by WRCOG prior to the date of City's notice of withdrawal.

2. Indemnification and Liability. Authority shall defend, indemnify and hold City and its directors, officials, officers, employees and agents free and harmless from any and all claims, demands, causes of action, costs, expenses, liabilities, losses, damages or injuries of any kind, in law or equity, to property or persons, including wrongful death, to the extent arising out of the acts, errors or omissions of Authority or its directors, officials, officers, employees and agents in connection with the California HERO Program administered under this JPA Amendment, including without limitation the payment of expert witness fees and attorney's fees and other related costs and expenses, but excluding payment of consequential damages, provided that the Authority shall not be required to defend or indemnify City and its directors, officials, officers, employees and agents for City's sole negligence or willful misconduct. Without limiting the foregoing, Section 5.2 of the Authority JPA shall not apply to this JPA Amendment. In no event shall any of Authority's Regular Members or their officials, officers or employees be held directly liable for any damages or liability resulting out of this JPA Amendment.

3. Environmental Review. Authority shall be the lead agency under the California Environmental Quality Act for any environmental review that may require in implementing or administering the California HERO Program under this JPA Amendment.

4. Cooperative Effort. City shall cooperate with Authority by providing information and other assistance in order for Authority to meet its obligations hereunder. City recognizes that one of its responsibilities related to the California HERO Program will include any permitting or inspection requirements as established by City. City's cooperation shall not be interpreted to require any approvals without appropriate review or that any discretionary authority of City be exercised other than as provided by law.

5. Notice. Any and all communications and/or notices in connection with this JPA Amendment shall be either hand-delivered or sent by United States first class mail, postage prepaid, and addressed as follows:

Authority:
Western Riverside Council of Governments 4080 Lemon Street, 3rd Floor.
MS1032 Riverside, CA 92501-3609
Att: Executive Director

City: [City Contact Information To Come]

6. Entire Agreement. This JPA Amendment, together with the Authority JPA, constitutes the entire agreement among the Parties pertaining to the subject matter hereof. This JPA Amendment supersedes any and all other agreements, either oral or in writing, among the Parties with respect to the subject matter hereof and contains all of the covenants and agreements among them with respect to said matters, and each Party acknowledges that no representation, inducement, promise of agreement, oral or otherwise, has been made by the other Party or anyone acting on behalf of the other Party that is not embodied herein.

7. Successors and Assigns. This JPA Amendment and each of its covenants and conditions shall be binding on and shall inure to the benefit of the Parties and their respective successors and assigns. A Party may only assign or transfer its rights and obligations under this JPA Amendment with prior written approval of the other Party, which approval shall not be unreasonably withheld.

8. Attorney's Fees. If any action at law or equity, including any action for declaratory relief is brought to enforce or interpret the provisions of this Agreement, each Party to the litigation shall bear its own attorney's fees and costs.

9. Governing Law. This JPA Amendment shall be governed by and construed in accordance with the laws of the State of California, as applicable.

10. No Third Party Beneficiaries. This JPA Amendment shall not create any right or interest in the public, or any member thereof, as a third party beneficiary hereof, nor shall it authorize anyone not a Party to this JPA Amendment to maintain a suit for personal injuries or property damages under the provisions of this JPA Amendment. The duties, obligations, and responsibilities of the Parties to this JPA Amendment with respect to third party beneficiaries shall remain as imposed under existing state and federal law.

11. Severability. In the event one or more of the provisions contained in this JPA Amendment is held invalid, illegal or unenforceable by any court of competent jurisdiction, such portion shall be deemed severed from this JPA Amendment and the remaining parts of this JPA Amendment shall remain in full force and effect as though such invalid, illegal, or unenforceable portion had never been a part of this JPA Amendment.

12. Headings. The paragraph headings used in this JPA Amendment are for the convenience of the Parties and are not intended to be used as an aid to interpretation.

13. Amendment. This JPA Amendment may be modified or amended by the Parties at any time. Such modifications or amendments must be mutually agreed upon and executed in writing by both Parties. Verbal modifications or amendments to this JPA Amendment shall be of no effect.

14. Effective Date. This JPA Amendment shall become effective upon the execution thereof by the Parties hereto.

IN WITNESS WHEREOF, the Parties hereto have caused this JPA Amendment to be executed and attested by their officers thereunto duly authorized as of the date first above written.

WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS

By: _____
Executive Committee Chair
Western Riverside Council of Governments

Date: _____

CITY AND COUNTY SAN
FRANCISCO

By: _____

Date: _____

Title: _____

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OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *jm* Mayor Edwin M. Lee *NE*
RE: Resolution Authorizing Participation in the California HERO Program –
Renewable Energy Financing Program
DATE: November 18, 2014

Attached for introduction to the Board of Supervisors is a resolution of the Board of Supervisors of the City and County of San Francisco, consenting to the inclusion of properties within the City's jurisdiction in the California HERO Program to finance distributed generation renewable energy sources, energy and water efficiency improvements and electrical vehicle charging infrastructure and approving the amendment to a certain joint powers agreement related thereto.

Should you have any questions, please contact Nicole Wheaton (415) 554-7940.

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
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SF Environment

Our home. Our city. Our planet.

A Department of the City and County of San Francisco

*Received in Committee
File #14184
J.W.*



Edwin M. Lee
Mayor

Deborah O. Raphael
Director

MEMORANDUM

TO: Honorable Members, Board of Supervisors

FROM: Richard Chien, Department of the Environment

SUBJECT: GreenFinanceSF Property Assessed Clean Energy (PACE) program; Resolutions Authorizing the city to join other joint powers authorities in order to provide financing to qualified owners of residential properties in San Francisco for installation of energy efficiency, renewable energy, and water conservation improvements, and create local jobs.

DATE: November 20, 2014

Background: The Board of Supervisors previously has adopted legislation and completed other necessary steps to provide for the establishment of the GreenFinanceSF program, summarized in the attached Memorandum (dated 7/11/11, by Anthony Ababon, Bond Associate with the Controller's Office of Public Finance) provided to the Board of Supervisors for hearings regarding:

- Resolution Authorizing the Issuance and Sale of Special Tax Bonds (Federally Taxable) in an Aggregate Principal Amount Not to Exceed \$100 Million
- Resolution approving administrative terms and conditions for the GreenFinanceSF (nonresidential) program

While useful as background for this item, this memorandum exclusively addresses the residential component of the GreenFinanceSF program, and staff recommendation for joining existing joint powers authorities (JPA's) offering options to bring residential PACE financing to San Francisco homeowners.

Prior Board actions and staff activities: In addition to the prior Board actions outlined in the July 11, 2011 memo, the Board passed resolutions in December 2013 to direct city staff to re-start the residential GreenFinanceSF program, in response to Governor Brown's 2013 directive to the California Alternative Energy and Advanced Transportation Authority to establish a statewide PACE Loss Reserve fund with \$10 million in state funding to mitigate any perceived risks to residential mortgage financing regarding residential PACE financing.

Since then, city staff (Department of the Environment, Controller's Office, with assistance from City Attorney) have undertaken extensive activities to explore options to effectively provide PACE financing to homeowners in San Francisco. A Request for Proposals was issued in early 2014 to solicit interest from third-party PACE providers to provide a suite of services (capital, program administration, and workforce development/contractor training services) in order to operate the residential PACE program. From the outset, per the policy direction set by the Board, the intention was to work with multiple PACE providers to offer choice and competitive financing options for consumers. As a result of this RFP process, three (3) proposers (Alliance NRG, Renewable Funding, and Renovate America) were selected and notified that they had met the City's minimum qualifications and that negotiations would commence.

New legal challenges: In September 2014, staff learned of a Court of Appeals decision involving a Mello-Roos Community Facilities District financing in San Diego (the "Shapiro Case"). The language contained in the Shapiro case was very broad and has impaired bond counsel's ability to provide an "unqualified opinion" for special tax bonds the City

would issue related to the PACE program. It is important to note two key points related to the impact of this issue:

1. San Francisco is one of two PACE districts in the state that uses the Mello-Roos law as the basis for PACE; all others rely on another similar law, AB 811, which was not affected by the San Diego case.
2. When it was established, San Francisco did not undertake a *judicial validation* of the special tax district, which could have mitigated the legal uncertainty introduced by the San Diego case. Prior to the Shapiro case, bond counsel believed (based on long-standing practice in the State) that the Mello-Roos Act provided an adequate legal basis to support a City's residential PACE program.

In response to this situation, staff weighed various options to move forward with an alternative that would help achieve the City's objectives, listed below:

1. Establish a new program under AB 811
2. Validate the existing Mello-Roos Special Tax Financing Law
3. Join another PACE program under other existing JPA's

Based in weighing time impacts, costs, and administrative issues of the various options, City staff now recommend joining other PACE programs in order to more quickly realize the policy objectives of prior Resolutions, while simultaneously establishing a new AB 811 program which will provide future flexibility for the City to operate similar programs in the future should it choose to do so.

Note that the opt-in JPA resolutions and other actions being considered would essentially enable the City to work with all of the successful proposers from the aforementioned RFP process.

Joining other existing JPA-sponsored PACE programs

Staff recommends the following:

1. Adopt a resolution and a JPA amendment authorizing the City and County of San Francisco to become a member of the Western Riverside Council of Governments joint powers authority ("WRCOG"), and consenting to the inclusion of certain properties within the City and County of San Francisco in the California HERO Program provided through WRCOG and operated by Renovate America for the financing of renewable energy distributed generation sources and energy and water efficiency improvements. Upon approval of the Resolution, a judicial validation for will be filed with the appropriate court for new participating jurisdictions including San Francisco.
2. Adopt a resolution authorizing California Communities to accept applications from owners of property within our jurisdiction for municipal financing of authorized improvements through the CaliforniaFIRST Program. The resolution also authorizes California Communities to conduct assessment proceedings and levy assessments against the property of participating owners within city and County of San Francisco. California Communities will not provide financing in the City and County of San Francisco without first undertaking a judicial validation of the CaliforniaFIRST Program (this was completed on November 19, 2014). Any jurisdiction can withdraw from the CaliforniaFIRST Program at any time by passing a resolution rescinding the authorization.

Detailed descriptions of JPA-sponsored PACE programs

1. HERO Program Description

BACKGROUND

Assembly Bill (AB) 811 was signed into law on July 21, 2008, and AB 474, effective January 1, 2010, amended Chapter 29 of Part 3 of Division 7 of the Streets & Highways Code of the State of California ("Chapter 29") and authorizes a legislative body to designate an area within which authorized public officials and free and willing property owners may enter into voluntary contractual assessments to finance the installation of distributed generation renewable energy sources, energy efficiency, and/or water conservation improvements that are permanently fixed to real property, as specified.

The HERO Program has been very successful in Western Riverside County, since its launch in late 2011; the Program has approved over \$1.8 billion in applications and has funded over \$378 million in projects. Because of its success, the California HERO Program was developed as a turnkey program to save other California jurisdictions time and resources

in developing a standalone program. Jurisdictions only need to adopt the form of resolution accompanying this staff report and approve an amendment to the joint exercise of powers agreement related to the California HERO Program attached to such resolution to begin the process.

ANALYSIS

The California HERO Program is being offered to allow property owners in participating cities and counties to finance renewable energy, energy water efficiency improvements and electric vehicle charging infrastructure on their property. If a property owner chooses to participate, the improvements to be installed on such owner's property will be financed by the issuance of bonds by a joint power authority, Western Riverside Council of Governments ("WRCOG"), secured by a voluntary contractual assessment levied on such owner's property. Participation in the program is 100% voluntary. Property owners who wish to participate in the program agree to repay the money through the voluntary contractual assessment collected together with their property taxes.

The benefits to the property owner include:

- Eligibility: In today's economic environment, alternatives for property owners to finance renewable energy/energy efficiency/water efficiency improvements or electric vehicle charging infrastructure may not be available. As such many property owners do not have options available to them to lower their utility bills.
- Savings: Energy prices continue to rise and selecting in energy efficient, water efficient and renewable energy models lower utility bills.
- 100% voluntary. Property owners can choose to participate in the program at their discretion.
- Payment obligation stays with the property. Under Chapter 29, a voluntary contractual assessment stays with the property upon transfer of ownership. Even if there were private enterprise alternatives, most private loans are due on sale of the benefited property, which makes it difficult for property owners to match the life of the repayment obligation with the useful life of the financed improvements. Certain mortgage providers will, however, require the assessment be paid off at the time the property is refinanced or sold.
- Prepayment option. The property owner can choose to pay off the assessments at any time, subject to applicable prepayment penalties.
- Customer oriented program. Part of the success of the program is the prompt customer service.

The benefits to the City include:

- Increase local jobs.
- An increase in housing prices (higher efficient homes are worth more money).
- An increase in sales, payroll and property tax revenue
- As in conventional assessment financing, the City is not obligated to repay the bonds or to pay the assessments levied on the participating properties.
- All California HERO Program and assessment administration, bond issuance and bond administration functions are handled by California HERO. Little, if any, City staff time is needed to participate in the California HERO Program.
- The City can provide access for its residents to the California HERO Program without the higher staff costs that an independent program established by the City would require.

The proposed resolution enables the California HERO Program to be available to owners of property within our City to finance renewable energy, energy efficiency and water efficiency improvements and electric vehicle charging infrastructure. The resolution approves an Amendment to the WRCOG Joint Powers Agreement to add the City as an Associate Member in order that the California HERO Program may be offered to the owners of property located within the City who wish to participate in the California HERO Program.

FISCAL AND STAFF IMPACTS

There is no negative fiscal impact to the City's general fund incurred by consenting to the inclusion of properties within the City and County of San Francisco limits in the California HERO Program. All California HERO Program administrative costs are covered through an initial administrative fee included in the property owner's voluntary contractual assessment and an annual administrative fee which is also collected on the property owner's tax bill. City staff

will work with the California HERO to market the Program to homeowners, coordinate with installation contractors, and the integrate workforce development component. Program data will also be collected by the City to assess performance.

RECOMMENDED ACTION

Adopt the attached Resolution authorizing the City's participation in the California HERO Program, which will enable property owners to finance permanently fixed renewable energy, energy and water efficiency improvements and electric vehicle charging infrastructure on their properties.

2. CaliforniaFIRST Program Description

The CaliforniaFIRST Program (the "CaliforniaFIRST Program") is sponsored by the California Statewide Communities Development Authority ("California Communities").

BACKGROUND

California Communities is a joint powers authority sponsored by the League of California Cities and the California State Association of Counties. The member agencies of California Communities include 57 counties and more than 400 other local agencies throughout California, including the City and County of San Francisco.

ANALYSIS

The CaliforniaFIRST Program has been established by California Communities to allow owners of property in participating cities and counties to finance a variety of improvements authorized by Chapter 29 of Division 7 of the Streets & Highways Code, as amended ("Chapter 29"), including, but not limited to, renewable energy, energy efficiency and water efficiency improvements and seismic strengthening improvements. If a property owner chooses to participate, the improvements will be financed by the issuance of bonds by California Communities. California Communities will levy "contractual assessments" on the owner's property to repay the portion of the bonds issued to finance the improvements on that property. California Communities has selected Renewable Funding LLC to provide administration and financing for the program.

The "contractual assessment" proceedings will be undertaken by California Communities pursuant to Chapter 29, to allow the financing of the improvements on private property that are authorized by Chapter 29. Pursuant to Chapter 29, assessments may be levied to finance improvements only with the free and willing consent of the owner of each lot or parcel on which an assessment is levied at the time the assessment is levied, and property owners evidence their consent to the assessments by executing a contract with California Communities.

The benefits to the property owner include:

- Only property owners who choose to participate in the program will have assessments imposed on their property.
- In today's economic environment, there may not be attractive private enterprise alternatives for property owners to finance renewable energy/energy efficiency/water efficiency improvements.
- Even if there were private enterprise alternatives, most private loans are due on sale of the benefited property, which makes it difficult for property owners to match the life of the repayment obligation with the useful life of the financed improvements. Under California law, the assessment obligation transfers with the property upon sale.
- The property owner can choose to pay off the assessments at any time, subject to applicable prepayment penalties.
- Regional aggregation provided by the CaliforniaFIRST Program may produce a lower borrowing cost.

The benefits to the City include:

- As in conventional assessment financing, the City and County of San Francisco is not obligated to repay the bonds issued by California Communities or to pay the assessments levied on the participating properties.
- California Communities handles all assessment administration, bond issuance and bond administration functions. A participating City and County of San Francisco can provide financing of Chapter 29-authorized improvements to property owners through the CaliforniaFIRST Program -- thereby meeting its political and public policy goals -- while committing virtually no staff time to administer the program.

FISCAL AND STAFF IMPACTS

There is no negative fiscal impact to the City's general fund incurred by consenting to the inclusion of properties within the City and County of San Francisco limits in the CaliforniaFIRST Program. All CaliforniaFIRST program administrative costs are covered through an initial administrative fee included in the property owner's voluntary contractual assessment and an annual administrative fee which is also collected on the property owner's tax bill. City staff will work with the CaliforniaFIRST to market the Program to homeowners, coordinate with installation contractors, and the integrate workforce development component. Program data will also be collected by the City to assess performance.

RECOMMENDED ACTION

After discussion and questions by the Board, if the Board wishes to become a participating member agency in this program, it should adopt the proposed resolution. The resolution requires only a simple majority vote. If the resolution is approved, the Clerk should forward a certified copy to California Communities, c/o Caitlin Lanctot, California Communities, 925-933-9229 x225; clanctot@cscda.org; 2999 Oak Road, Suite 710 Walnut Creek, CA 94597.

