

CITY OF SANTA ROSA  
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL  
FROM: GLORIA HURTADO, DEPUTY CITY MANAGER  
CITY MANAGER'S OFFICE  
SUBJECT: SONOMA COUNTY PROPERTY ASSESSED CLEAN ENERGY  
(PACE) FINANCING MARKETPLACE

AGENDA ACTION: RESOLUTIONS

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RECOMMENDATION

The Council may choose one of the following options:

1. If the Council wants to offer more PACE financing options within the City boundaries, it may choose, without endorsement of any particular program, to allow operation of three additional PACE programs by adoption of the following resolutions:
  - a. Approving the Insurance and Indemnification Agreement between the City of Santa Rosa and Renewable Funding, LLC and authorizing the Mayor to sign; and Consenting to the inclusion of properties within the City's Jurisdiction in the CaliforniaFIRST Program;
  - b. Approving the Insurance and Indemnification Agreement between the City of Santa Rosa and Renovate America, Inc. and authorizing the Mayor to sign; Approving the Amendment to the Joint Powers Agreement adding City of Santa Rosa as an Associate Member of the Western Riverside Council of Governments and authorizing the Mayor to sign; and Consenting to the inclusion of properties within the City's Jurisdiction in the California HERO Program; and
  - c. Approving the Insurance and Indemnification Agreement between the City of Santa Rosa and Figtree Company, Inc. and authorizing the Mayor to sign; Approving the Joint Powers Authority Associate Membership Agreement between the California Enterprise Development Authority and the City of Santa Rosa and authorizing the Mayor to sign; and Consenting to the Inclusion of properties within the City's Jurisdiction in the Figtree Program.
2. If the Council wants to offer only the California HERO Program in Santa Rosa, not as endorsement of the program but as it is the only program that offered the City indemnification from both the program administrator, Renovate America, Inc., and the Joint Powers Authority, Western Riverside Council of Governments, the Council would adopt only the following resolution:

# SONOMA COUNTY PROPERTY ASSESSED CLEAN ENERGY (PACE) FINANCING MARKETPLACE

Page 2 of 6

- a. Approving the Insurance and Indemnification Agreement between the City of Santa Rosa and Renovate America, Inc. and authorizing the Mayor to sign; Approving the Amendment to the Joint Powers Agreement adding City of Santa Rosa as an Associate Member of the Western Riverside Council of Governments and authorizing the Mayor to sign; and Consenting to the inclusion of properties within the City's Jurisdiction in the California HERO Program.
  3. If the Council chooses not to allow additional PACE programs within the City boundaries at this time, the Council need not take action.
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## EXECUTIVE SUMMARY

The City of Santa Rosa set a greenhouse gas (GHG) emission reduction target to 25 percent below 1990 levels by 2015. Installation of water and energy efficiency improvements is one of many ways to reduce GHG emissions. In 2009, the City Council authorized the City's participation in the Sonoma County Energy Independence Program (SCEIP), which is the County's Property Assessed Clean Energy (PACE) financing program. SCEIP allows for property owners to install distributed generation, renewable energy sources and energy efficiency improvements through contractual assessments that are paid back through the property tax bill. Since SCEIP was initiated, additional financing options have become available. In 2014, Sonoma County created the Sonoma County PACE Financing Marketplace (PACE Marketplace) expanding the financing options available to property owners. The PACE Marketplace integrates additional financing options from CaliforniaFIRST, California HERO and Figtree programs into the region for water and energy efficiency upgrades and the installation of renewable energy. By allowing the PACE Marketplace providers to offer their services in the City of Santa Rosa, Santa Rosa citizens would have additional choices beyond the SCEIP program. There are a number of policy considerations for the Council related to offering these programs.

The PACE Marketplace relates to Council Goal 3: Provide Leadership for Environmental Initiatives. The PACE Marketplace provides funding options for property owners to install water and energy efficiency improvements that will assist the City in progressing toward its GHG reduction targets.

## BACKGROUND

In 2005, the Governor of the State of California issued Executive Order S-3-05 requiring the reduction of GHG emissions to 2000 levels by 2010; the reduction of GHG emissions to 1990 levels by 2020; and the reduction of GHG emissions to 80 percent below 1990 levels by 2050. In 2015, the Governor issued Executive Order B-30-15, requiring the reduction of GHG emissions by 40 percent below 1990 levels by 2030. Installation of water and energy efficiency improvements is one of many ways to reduce GHG emissions.

## SONOMA COUNTY PROPERTY ASSESSED CLEAN ENERGY (PACE) FINANCING MARKETPLACE

Page 3 of 6

On April 14, 2009, City Council adopted Resolution No. 27342, allowing property owners within the City's jurisdiction to participate in SCEIP. SCEIP financing allows property owners in the County to acquire and construct or install distributed generation, renewable energy sources and water and energy efficiency improvements through contractual assessments paid back through property taxes. Through September 2015, 685 projects have been funded in Santa Rosa for a total of \$20,064,191.

In November 2014, the County's Energy Independence Office developed the Sonoma County PACE Marketplace to promote the effectiveness and sustainability of PACE financing in the region by expanding the options available to property owners. The PACE Marketplace integrates additional financing options from CaliforniaFIRST, California HERO and Figtree into the region for water and energy efficiency upgrades and the installation of renewable energy in addition to the financing option of SCEIP. Each of the PACE Marketplace members have entered into an agreement for Collaborative Services with the County to achieve the speed and scale needed to reach community-wide goals for energy independence.

### PRIOR CITY COUNCIL REVIEW

On March 31, 2015, City Council adopted Resolution No. 28623 approving the Seventh Amendment to the cooperative agreement to participate in SCEIP for another ten (10) years.

On January 19, 2016, City and County of Sonoma staff presented an overview of the PACE Financing Marketplace in Study Session.

### ANALYSIS

In November 2014, the County established the PACE Marketplace which offers additional financing programs with various products. The PACE Marketplace integrates additional financing options from CaliforniaFIRST, California HERO and Figtree. The PACE Marketplace expands the number of program financing options available to property owners, allows for increase in the pace of retrofit and generation projects and supports further reduction in GHGs. All CaliforniaFIRST, California HERO and Figtree program administrative costs are included in the property owners' voluntary contractual assessment, which will be collected on the property owners' tax bills.

The PACE Marketplace also seeks to: expand local funding capacity; provide consumer choice; increase program momentum and sustain and grow the contractor community; maintain a local point of information and coordination for regional PACE; and facilitate efforts to consolidate and report data of community retrofit and renewable energy project results.

## SONOMA COUNTY PROPERTY ASSESSED CLEAN ENERGY (PACE) FINANCING MARKETPLACE

Page 4 of 6

There are a number of points for Council to consider in relation to authorizing PACE Marketplace within the City of Santa Rosa as follows:

- The City would be authorizing other public entities to offer their loan programs within Santa Rosa, including the ability to foreclose against participating property owners in the event of delinquency.
- While the City has obtained indemnity agreements from each of the proposed Program Administrators, only one of the Joint Powers Agreements contains an indemnity provision in favor of the city. Despite requests, staff was unable to obtain any indemnity agreement from CSCDA or CEDA with respect to their PACE programs.
- Any resulting carbon credits will be owned by the financing providers and the County of Sonoma, and will not be owned by the City.
- The borrowers may be unable to refinance their properties without paying off the PACE loans and in addition, if they enter into a PACE loan agreement without the consent of all current lenders on their properties, may be in default subjecting themselves to accelerated payment without the ability to refinance.
- Some of the Programs may offer limited subordination agreements to new lenders in order to help facilitate subsequent real estate transfers, but these would not change the lien priority.
- The borrowers are required to indemnify and/or release various entities from any claims.
- The current interest rates for the each financing program is as follows:
  - CaliforniaFIRST - Residential: 6.75%-8.39%. Commercial: depends on capital source, 6.0% or less fixed for 20 years is the prevailing rate.
  - California HERO - Residential: 5 year - 6.75%, 10 year - 7.69%; 15 year - 8.15%; 20 year - 8.35%. Commercial: 5 year - 5.75%, 10 year - 6%, 15 year - 6.25%, 20 year - 6.5%
  - Figtree - Commercial: 4.94%-6.1%. Figtree is planning to offer residential financing in fall 2016. Residential is currently projected at 4.63%-6.99%.

To allow property owners in the City of Santa Rosa to finance water and energy efficiency upgrades and the installation of renewable energy through CaliforniaFIRST, California HERO and Figtree, the City will need to do the following:

To offer all three programs:

- Join two Joint Powers Authorities (JPAs), the Western Riverside Council of Governments to offer the California HERO Program and the California Enterprise Development Authority to offer the Figtree Program. The City is already a member of the California Statewide Communities Development JPA for the CaliforniaFIRST Program. The City joined the California Statewide Communities Development JPA in September 1995 via Resolution No. 22406.
- Approve indemnification agreements with Renewable Funding, LLC which is the Program Administrator for CaliforniaFIRST, with Renovate America Inc., which is the Program Administrator for California HERO, and with Figtree Company Inc. which is the Program Administrator for Figtree.

## SONOMA COUNTY PROPERTY ASSESSED CLEAN ENERGY (PACE) FINANCING MARKETPLACE

Page 5 of 6

- Approve participation in the CaliforniaFIRST, California HERO and Figtree programs.

To offer the California HERO Program:

- Join the Western Riverside Council of Governments JPA to offer the California HERO Program; approve an indemnification agreement with Renovate America Inc., which is the Program Administrator for California HERO; and approve participation in California HERO.

If the Council chooses not to offer any of the programs in the City of Santa Rosa, the Council would not need to take any action.

In the future, additional financial providers may join the PACE Marketplace at which time the Council may consider making these financing programs available to Santa Rosa property owners.

### FISCAL IMPACT

The exact fiscal impact, to be incurred by consenting to the inclusion of properties within the City limits in the CaliforniaFIRST, California HERO and Figtree programs, is unknown. There is likely to be staff time required to oversee the periodic review of the various contracts between the City and the three program administrators as well as the three JPAs. Funds currently being used for staff time were appropriated in a previously adopted budget as part of Council Goal 3 and the ongoing efforts to meet State, County and City, GHG reduction targets and requirements.

All CaliforniaFIRST, California HERO and Figtree program administrative costs are included in the property owners' voluntary contractual assessment, which is collected on the property owners' tax bill

### ENVIRONMENTAL IMPACT

The action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

### BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable

### NOTIFICATION

Not applicable

SONOMA COUNTY PROPERTY ASSESSED CLEAN ENERGY (PACE) FINANCING  
MARKETPLACE

Page 6 of 6

ATTACHMENTS

- Attachment 1 – City Council SCEIP Resolution No. 27342
- Attachment 2 – City Council SCEIP Resolution No. 28623
- Attachment 3 – City Council CSCDA Resolution No. 22406
- Attachment 4 – CSCDA JPA Agreement
- Attachment 5 – Amendment to the WRCOG JPA Agreement
- Attachment 6 – CEDA JPA Agreement
- Attachment 7 – Renewable Funding LLC Indemnification Agreement
- Attachment 8 – Renovate America Inc Indemnification Agreement
- Attachment 9 – Figtree Indemnification Agreement

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