



REPORT TO COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2604
www. CityofSacramento.org

Staff Report
September 29, 2009

Honorable Mayor and
Members of the City Council

Title: Resolution of Intention to Form an Assembly Bill 811 Contractual Assessment Program to Finance Energy Efficiency Improvements and Distributed Renewable Energy Generation

Location/Council District: Citywide

Recommendation: 1) Adopt a **Resolution of Intention** to form an AB 811 contractual assessment district to finance energy efficiency improvements and distributed renewable energy generation for City of Sacramento residents. 2) Direct staff to prepare and bring back a report, for Mayor and Council approval, which will include information on the program administration, legal, and financial details as required by AB 811.

Contact: Yvette Rincon, Sustainability Program Manager, 916-808-5827

Presenters: Yvette Rincon

Department: General Services

Division: Office of the Director

Organization No: 13001021

Description/Analysis

Issue: In July of 2008, Councilmember McCarty requested staff research the creation of a voluntary property assessment district to fund energy efficiency improvements and solar installations for City property owners. Staff has formed a partnership with the County of Sacramento, Sacramento Municipal Utility District (SMUD), Pacific Gas & Electric (PG&E) and Valley Vision to research such a program. This partnership has been evaluating the feasibility of an AB 811 district, and program.

Per AB 811, the first step in establishing a voluntary property assessment district is for the Mayor and Council to adopt a Resolution of Intention. Therefore, staff is

requesting that the Mayor and City Council adopt the Resolution of Intention to form an AB 811 contractual assessment district to finance energy efficiency improvements and distributed renewable energy generation sources that are permanently fixed to the property. In addition, per AB 811, staff is requesting that Mayor and City Council direct staff to prepare a report to include information on the program administration, legal, and financial details. Staff will return to the Mayor and City Council with the report on January 12, 2010.

In addition, Staff will return to Mayor and City Council in October 2009 to request authority to apply for federal stimulus funds for the AB 811 program. The California Energy Commission has made available up to \$95 million in stimulus funds, through a competitive proposal process, for energy efficiency retrofit programs such as an AB 811 program. The current draft guidelines for this funding indicate that jurisdictions that have established or are on their way to establishing a regional AB 811 program and can provide leveraged funding to the program will be evaluated more favorably.

Policy Considerations: Development of an AB 811-type program is identified as an implementation measure in both the 2009 Sustainability Implementation Plan and the 2030 General Plan. According to the latest census data, approximately 60 percent of the existing building stock in the City was built before 1978, when the state energy code Title 24 was enacted. While there is opportunity for cost-effective energy reductions in almost all building stock, the building stock built before 1978 represents a tremendous opportunity to achieve cost-effective and significant reductions in energy usage and energy bills. AB 811 will provide property owners a financing tool to make significant cost-effective investments in their property, thereby reducing energy use and energy bills. The types of improvements that property owners might finance through the AB 811 program would include attic insulation, duct sealing, installing new windows and doors, replacing heating, ventilating, and air conditioning systems, and installing solar panels. These types of improvements will also have regional economic benefits including job creation, purchasing of goods and services, reducing peak energy demand, increasing property values, and generating savings on utility bills for homes and businesses.

Environmental Considerations:

California Environmental Quality Act (CEQA):

Under the California Environmental Quality Act (CEQA) guidelines, continuing administrative activities do not constitute a project and are therefore exempt from review.

Sustainability Considerations: An AB 811 program will not only help the community reduce its energy bills but also reduce its greenhouse gas emissions. By installing energy efficiency improvements and/or distributed renewable energy existing homes will use less energy and therefore reduce the region's carbon

footprint.

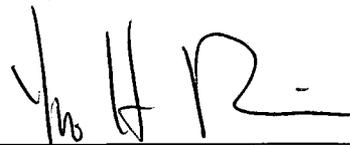
Rationale for Recommendation: The City of Sacramento has formed a regional partnership with the County of Sacramento, SMUD, PG&E and Valley Vision to pursue the development of an AB 811 program. An AB 811 program presents a tremendous opportunity for our community, the City, and the region. It will be a key tool in reducing energy use, saving money, creating jobs, and stimulating the economy. Through the development of the program report, required by AB 811, staff plans to present the Mayor and Council with a plan to phase in the program over time.

Preliminary results of an economic analysis¹ commissioned by the partnership indicate that a program, with one percent participation countywide, could result in up to 700 jobs, \$170 million in economic output, \$30 million in employee compensation, and \$10 million in state and local tax generation. In addition, SMUD recently conducted a market survey and found that 43 percent of those surveyed showed interest in an AB 811 program. While both the economic analysis and market survey indications are positive, the ultimate success of the program will be determined by many factors including the ability of the program to be financially self sustaining, the interest rate for the loans, the marketing strategy, a careful review of participants to ensure they are not unduly burdened by the loans, and an effective quality assurance process to ensure that the improvements that are installed are working properly. All these details will be reviewed and developed and brought to the Mayor and City Council for their consideration on January 12, 2010.

Financial Considerations: Staff time on this project is funded through federal stimulus funding through the Energy Efficiency and Conservation Block Grant. There are no general fund impacts.

Emerging Small Business Development (ESBD): Not applicable at this time as no goods or services are being purchased.

Respectfully Submitted by: _____



Yvette Rincon
Sustainability Program Manager

¹ The economic analysis was completed by the Center for Strategic Economic Research, an economic research and consulting group affiliated with the Sacramento Area Commerce and Trade Organization (SACTO).

Approved by: 
Reina J. Schwartz
Director, Department of General Services

Recommendation Approved:

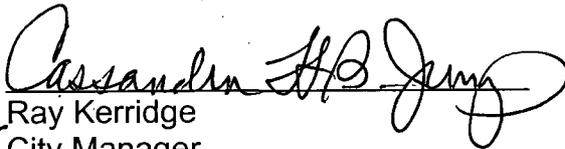

Ray Kerridge
City Manager

Table of Contents:

Report	Pg 1
Attachments	
1 Background	Pg 5
2 AB 811 District Map	Pg 7
3 Resolution	Pg 8

Attachment 1**Background**

On July 21, 2008, AB 811 was signed into law, amending Chapter 29 of Part 3 of Division 7 of the California Streets and Highways Code, to provide California counties and cities with a new authority to help property owners finance energy improvements on their property. Specifically, AB 811 authorizes the establishment of contractual assessment districts to finance energy efficiency and/or distributed renewable energy generation improvements (i.e. solar panels) that are permanently fixed to residential or commercial real property. A district formed under AB 811 is capitalized either by issuing bonds or by obtaining funds from other sources. From those funds, the district makes loans to property owners who desire to install energy improvements. The property owners agree, in return, to repay the loans through assessments on their properties, which are collected along with property taxes. If the property owner sells the property, the assessment balance is transferred to the next owner. Importantly, participation in AB 811 financing is voluntary. Property owners will not be assessed without their consent.

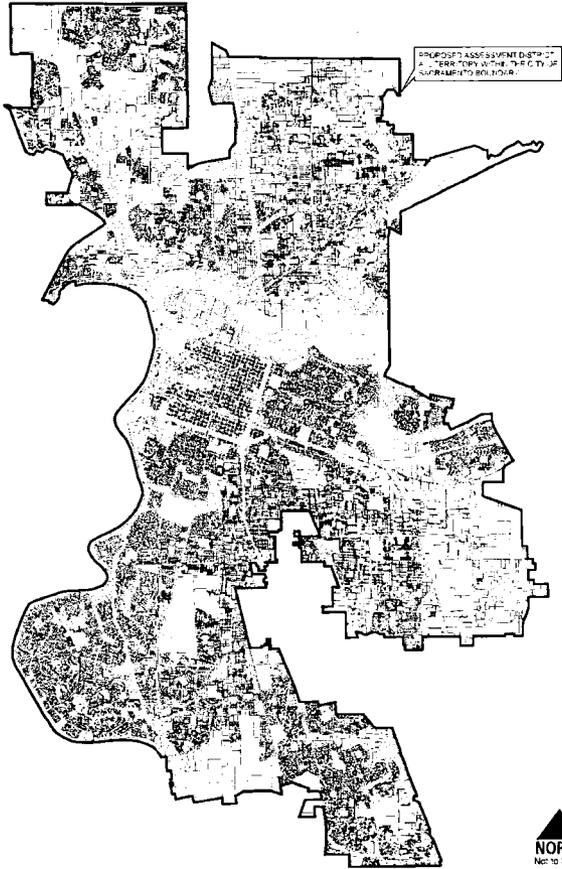
An AB 811 program eliminates the need for a property owner to provide the upfront costs for energy improvements, which can serve as a barrier for some property owners. Two California jurisdictions are already implementing AB 811 contractual assessment programs. The City of Palm Desert started its program in August 2008, and Sonoma County (with all its incorporated cities opting into the County's program), started its program in March 2009. The City and County of San Francisco, the Association of Bay Area Governments, and several southern California jurisdictions are in the process of developing their own AB 811 programs. The City of Berkeley was the first to create a property tax based program. However, their program is not an AB 811 program but a Mello-Roos Community Facilities District.

SMUD recently administered an online survey for its customer base that tested the concept of an AB 811-type program within their service area. Nearly 5,000 customers responded to the survey and 43% of those customers expressed interest in property tax-based financing of energy improvements to their home. The SMUD survey results provide an early indication of potential market penetration, but market changes and final program details may affect consumer attitudes and purchase behavior.

As part of the American Recovery and Reinvestment Act of 2009 (ARRA), the City of Sacramento is authorized to receive \$4,708,000 in federal grant funds from the Energy Efficiency and Conservation Block Grant Program (EECBG). On May 22, 2009, the Mayor and City Council approved the Energy Efficiency and Conservation Strategy for this grant that earmarked \$100,000 of the grant funding for the development of a Regional AB 811 program. The County of Sacramento has also allocated a portion of its EECBG funds towards AB 811 program development.

In addition, the United States Department of Energy has allocated \$226 million in ARRA funds to the California Energy Commission (CEC) for the State Energy Program (SEP). Up to \$95 million in SEP funds will be made available to local jurisdictions, through a competitive proposal process, for energy efficiency retrofit programs such as an AB 811

program. The current guidelines for this funding indicate that jurisdictions that have established or are on their way to establishing a regional AB 811 program will be more favorably evaluated on their proposals. In addition, applications that can provide leverage funding to the program will also be evaluated more favorably.



PROPOSED ASSESSMENT DISTRICT
A... TERRITORY WITHIN THE CITY OF
SACRAMENTO, CALIFORNIA.

NORTH
Not to Scale

PROPOSED BOUNDARY MAP AB 811 CONTRACTUAL ASSESSMENT DISTRICT CITY OF SACRAMENTO COUNTY OF SACRAMENTO, STATE OF CALIFORNIA

SHEET 1 OF 1

CLERK'S MAP FILING STATEMENT:

FILED IN THE OFFICE OF THE CLERK OF CITY OF SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA, THIS ____ DAY OF _____ 2009

CITY CLERK,
CITY OF SACRAMENTO, CALIFORNIA

CLERK'S MAP CERTIFICATE:

I HEREBY CERTIFY THAT THE MAP SHOWING THE BOUNDARIES OF AB 811 CONTRACTUAL ASSESSMENT DISTRICT, CITY OF SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA, WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO AT A MEETING THEREOF, HELD ON THE ____ DAY OF _____ 2009, BY ITS RESOLUTION NO. _____

CITY CLERK,
CITY OF SACRAMENTO, CALIFORNIA

COUNTY RECORDER'S FILING STATEMENT:

FILED THIS ____ DAY OF _____ 2009 AT THE HOUR OF ____ O'CLOCK __ M., IN BOOK ____ OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS AT PAGE ____ IN THE OFFICE OF THE COUNTY RECORDER OF THE COUNTY OF SACRAMENTO, STATE OF CALIFORNIA.

COUNTY RECORDER
OF THE COUNTY OF SACRAMENTO, CALIFORNIA

By: _____
DEPUTY

DOCUMENT NO. _____

— Boundary Line

ASSESSOR PARCEL ID WITH BOUNDARY FOR PARTICULARS OF LINES AND DIMENSIONS OF PARCELS REFERRED TO SACRAMENTO COUNTY ASSESSOR PARCEL MAP BOOKS SPECIAL PARCELS WITHIN THE CITY OF SACRAMENTO

615
Department of Finance
REVENUE & ACCOUNTS DIVISION

RESOLUTION NO. 2009-XXXX

Adopted by the Sacramento City Council

September 29, 2009

**INTENTION TO ESTABLISH A CONTRACTUAL-ASSESSMENT PROGRAM TO
FINANCE ENERGY-EFFICIENCY IMPROVEMENTS AND DISTRIBUTED-
GENERATION RENEWABLE-ENERGY SOURCES**

BACKGROUND

- A. In accordance with chapter 29 of part 3 of division 7 in the California Streets and Highways Code (the "Act"), the City Council proposes to establish a contractual-assessment program to assist property owners with financing the cost of improvements that are permanently affixed to their property.
- B. Energy-conservation efforts, including the promotion of energy-efficiency improvements to residential, commercial, industrial, or other real property, are necessary to address the issue of global climate change.
- C. The upfront cost of making residential, commercial, industrial, or other real property more energy efficient prevents many property owners from making those improvements.
- D. To make those improvements more affordable and to promote the installation of those improvements and the installation of distributed-generation renewable-energy sources, the Act provides an alternative procedure for authorizing assessments.
- E. The contractual-assessment program will serve a public purpose by authorizing the City Council to finance the installation of energy-efficiency improvements and distributed-generation renewable-energy sources that are permanently fixed to residential, commercial, industrial, or other real property.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL
RESOLVES AS FOLLOWS:**

- Section 1. It is convenient, advantageous, and in the public interest to designate the entire City as an area within which authorized City officials and property owners may enter into contractual assessments in accordance with the Act to finance energy-efficiency improvements and distributed-generation renewable-energy sources that are permanently fixed to residential, commercial, industrial, or other real property.

Section 2. The City Council proposes to make contractual-assessment financing available to the owners of property in the City to finance energy-efficiency improvements and distributed-generation renewable-energy sources that are permanently fixed to real property.

Section 3. Contractual-assessment financing may be available for the following types of energy-efficiency improvements and distributed-generation renewable-energy sources so long as they are permanently affixed to real property:

- (a) Acquisition and installation of weather-stripping of doors, windows, and other openings.
- (b) Acquisition and installation of upgraded floor, wall, or roof insulation.
- (c) Acquisition and installation of complete building-envelope sealing.
- (d) Acquisition and installation of energy-efficient toilets and landscape-irrigation controllers.
- (e) Acquisition and installation of high-efficiency windows and doors.
- (f) Acquisition and installation of radiant barriers.
- (g) Acquisition and installation of high-efficiency HVAC systems and HVAC system sealing.
- (h) Acquisition and installation of duct sealing of existing HVAC systems.
- (i) Acquisition and installation of high-efficiency water heating systems.
- (j) Replace existing roofing with cool roofing material.
- (k) Acquisition and installation of photovoltaic systems.
- (l) Acquisition and installation of wind-generation systems.
- (m) Acquisition and installation of ground-source heat pumps.
- (n) Acquisition and installation of solar hot-water systems (domestic hot water, space heating, pool and spa heating).
- (o) Acquisition and installation of any new technology that improves energy efficiency or is a distributed-renewable energy-generation source.
- (p) All permits, energy audits, and any related incidental expenses for the acquisition and installation of the above-listed improvements are eligible for funding from contractual-assessment financing, included with the cost of installation.

- Section 4. The boundaries of the area within which contractual assessments may be entered into are coterminous with boundaries of the City.
- Section 5. The proposed arrangements for financing the contractual-assessment program include but are not limited to initial funding from the following sources: the U.S. Department of Energy's Energy Efficiency and Conservation Block Grant Program; the California Energy Commission's State Energy Program; assessment bonds the City issues in accordance with the Act; and loans to the City that will be repaid by the contractual-assessment program.
- Section 6. On or before the public hearing described below in section 8, the City Manager or his designee shall do both of the following:
- (a) Enter into consultations with the County Auditor's Office or the County Controller's Office to reach agreement on what additional fees, if any, will be charged to the City for incorporating the proposed contractual assessments into the assessments of the general taxes of the City on real property.
 - (b) File with the City Clerk, for delivery to the City Council, a program report prepared in accordance with section 5898.22 of the Act (the "Program Report"). The Program Report shall contain all of the following:
 - (1) A map showing the boundaries of the territory within which contractual assessments are proposed to be offered.
 - (2) A draft contract specifying the terms and conditions that would be agreed to by a property owner within the contractual assessment area and the City.
 - (3) A statement of City policies concerning contractual assessments, including all of the following:
 - (A) Identification of types of energy-efficiency improvements or distributed-generation renewable-energy sources that may be financed through the use of contractual assessments.
 - (B) Identification of a City official authorized to enter into contractual assessments on behalf of the City.
 - (C) A maximum aggregate dollar amount of contractual assessments.
 - (D) A method for setting requests from property owners for financing through contractual assessments in priority order if requests appear likely to exceed the authorized amount.
 - (4) A plan for raising a capital amount required to pay for work performed pursuant to contractual assessments. The plan (A) may include any source; (B) may include the sale of a

bond or bonds or other financing relationship pursuant to section 5895.22 of the Act; (C) must include a statement of or method for determining the interest rate and time period during which contracting property owners would pay any assessment; (D) must provide for any reserve fund or funds; and (E) must provide for the apportionment of all or any costs incidental to financing, administration, and collection of the contractual-assessment program among the consenting property owners and the City.

- (5) A report on the results of the consultations with the County Auditor's Office or the County Controller's Office concerning the additional fees, if any, that will be charged to the City for incorporating the proposed contractual assessments into the assessments of the general taxes of the City on real property, and a plan for financing the payment of those fees.

Section 7. Notice is hereby given that at 6:00 p.m. on January 12, 2010, in the Chamber of the Sacramento City Council, 915 I Street, Sacramento, California, the City Council will hold a public hearing at which interested persons may inquire about, or object to, the proposed contractual-assessment program or any of its particulars.

Section 8. The City Clerk is hereby directed to publish a notice of the hearing in accordance with section 5898.24 of the Act. The notice must include the date, time, and place of the hearing; must briefly describe the proposed contractual-assessment program; and must explain that interested persons may appear at the hearing and comment upon, object, or present evidence with regard to the proposed program, the extent of the area to be included within the program, the terms and conditions of the draft contract contained in the Program Report, and the proposed financing provisions of the program.