

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: SEPTEMBER 22, 2009
FROM: PUBLIC UTILITIES DEPARTMENT ITEM NO: 18
WARDS: ALL

SUBJECT: APPROVAL OF THE ENERGY HIGH EFFICIENCY LOAN PROGRAM (E-HELP)

ISSUE:

Approval is requested for the Energy High Efficiency Loan Program (E-HELP) to help property owners finance solar installations and energy efficient improvements through a loan and voluntary assessment that is paid through their individual property tax bills.

RECOMMENDATIONS:

That the City Council:

1. Approve the Energy High Efficiency Loan Program;
2. Direct staff to begin preparation of the Program; and
3. Approve funding in the amount of \$1,000,000 for a pilot program with Public Benefits Funds.

BOARD RECOMMENDATION:

The Board of Public Utilities conceptually approved the Energy High Efficiency Loan Program (E-Help) at its June 19, 2009 meeting by a vote of 7 ayes, 0 noes and 2 absent.

COMMITTEE RECOMMENDATION:

On July 16, 2009, the Utility Services/Land Use/Energy Development Committee (Chairman Bailey, Councilmember Gardner and Councilmember Davis present) unanimously recommended that the City Council (1) approve \$1,000,000 in Public Benefit Funds for the Energy High Efficiency Loan Program (E-HELP) Pilot Program providing low-interest loans for installation of energy efficiency and renewable generation measures; (2) approve the Energy High Efficiency Loan Program; and (3) direct staff to begin preparation of the program.

BACKGROUND:

The Energy High Efficiency Loan Program (E-HELP) pilot program will allow the City the ability to provide low-interest loans to property owners for installing energy efficiency and renewable generation measures on their properties. The new, special tax district would be citywide but would apply only to those property owners who chose to “opt-in” to the program in order to borrow money for the installation of these energy efficiency measures. The property owner would pay for the cost of these improvements as a special tax assessment on their property bills up to 20-years.

AB 811 is the enabling legislation that allows local municipalities to form such financing districts. Palm Desert has successfully implemented a pilot program for its citizens. Additionally, the City of Berkeley, through its power as a Charter city, has also successfully implemented a program by amending its municipal code. After reviewing both model programs, staff has determined that a Berkeley model program will offer greater financial protection to the City.

How the program works is if you are a property owner, E-HELP will offer the following:

- A “no-money-down” means of financing Energy Improvements.
- Fixed-rate loans.
- Financing without requiring a property appraisal.
- A stream-lined loan process.

Program Requirements

Eligible Property Owners:

All owners of improved real property that are RPU customers are eligible for E-HELP. With limited exceptions, other governmental entities are not eligible.

Eligible Properties:

E-HELP loans are available to all owners of improved real properties within the City including, but not limited to, residential, commercial, and industrial properties. During the initial pilot program only residential properties will be eligible for the program. Commercial and other non-residential properties will be considered for eligibility after the evaluation of the pilot program.

Eligible Equipment:

E-HELP allows property owners in Riverside the opportunity to take advantage of a wide range of energy-saving measures, consistent with the following provisions:

1. The energy improvements must be permanently affixed to the property.
2. The E-HELP program is specifically designed for property improvements that will increase its energy efficiency or renewable generation. Property owners that elect to engage in broader retrofit projects, such as home or business remodeling, will be eligible for E-HELP only for the portion of the project cost used to retrofit existing structures with energy improvements. (Discussed further in Eligible Cost.)
3. E-HELP is intended for retrofit activities to replace outdated equipment and to install new equipment that takes energy use off the grid. However, E-HELP is also made available for purchasers of new homes and for businesses that wish to add energy improvements to the property after owner takes title. Commercial and other

- non-residential properties will be eligible after the pilot program is completed and the full program is implemented.
4. E-HELP provides a variety of measures to fit property owner modifications that focus strictly on efficiency measures, solar systems and custom measures.

Eligible Costs:

Eligible costs of the energy improvement include the cost of equipment and installation. Installation costs may include, but are not limited to, labor, drafting, engineering, permit fees, and inspection charges.

The installation of energy improvements must be completed by a qualified, licensed contractor of the property owner's choice. Eligible costs do not include labor cost for property owners that elect to do the work themselves.

The Financial Strategy:

Initially, RPU will fund E-HELP with \$1.0 million from the Electric Public Benefit Fund. Thereafter, E-HELP may be funded from a number of other potential sources and combinations of sources, which may include but are not limited to additional funding from the General Fund, RPU's Electric Public Benefit Fund, the issuance of notes, bonds or agreements with public or private lenders or other governmental entities and quasi-governmental entities such as CALPERS.

Creation of the Special Tax District:

The creation of the special tax district is a lengthy process, starting with an amendment to the Riverside Municipal Code to allow for the creation of such district. The district will be similar in form to the special tax districts created under the Mello-Roos Act known as community facilities district. A community facilities district is created by a vote of property owners to impose a special tax on their properties to build public facilities such as streets, traffic signals, storm drains, sewers, landscaping, etc. Here, the proposed amendment to the Riverside Municipal Code would incorporate by reference the provision of the Mello-Roos Act, but would add the legal authority to finance solar and energy efficiency improvements through the district.


The boundaries of the proposed district would be citywide, but no property owner would be taxed unless that property owner consents to be annexed into that district. At time of annexation consent, that property owner would also consent that bonds could be issued that would be secured by the tax on the property, they would agree to the rate of the tax and to pay the tax as part of their annual property tax bill. Staff estimates that the creation of the special tax district will take approximately seven months, in order to comply with California law.

FISCAL IMPACT:

Funds up to \$1,000,000 are included in the FY 2009-10 Public Benefits, Un-programmed Funds Account No. 6020100-453001.

Prepared by: David H. Wright, Public Utilities General Manager
Certified as to availability
of funds: Paul C. Sundeen, Assistant City Manager/CFO/Treasurer
Approved by: Belinda J. Graham, Assistant City Manager
for Bradley J. Hudson, City Manager
Approved as to form: Gregory P. Priamos, City Attorney

Concurs with:

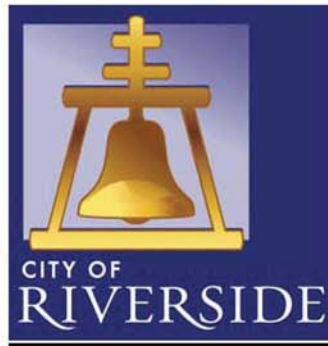


William R. Bailey, III, Chair
Utility Services/Land Use/Energy Development Committee

Attachments:

1. Program Guidelines
2. Board of Public Utilities Minutes – June 19, 2009

Energy High Efficiency Loan Program Report



Outline:

Introduction

- Goals
- Background
- Benefits
- Program Administration

Program Requirements

- Eligible Property Owners
- Eligible Properties
- Eligible Equipment
- Eligible Costs

Tracks for Participation

- The Efficiency Track
- The Solar Track
- The Custom Measure Track

Financial Strategy

Energy Surveys and Solar Site Checks

Energy Independence Program Parameters

- Minimum Loan Amount
- Maximum Loan Amount
- Maximum Portfolio
- Duration
- Interest Rate

Administrative Fees

Changes to the Report

Report Notes

Appendices:

- A. Equipment List
- B. Map of Program Area
- C. Draft program Application
- D. Draft Loan Contract
- E. Summary of Loan Process

Introduction

The Energy High Efficiency Loan Program (E-HELP) described herein is designed to help Riverside property owners save energy and gain independence from the scarcity of sources of energy that are compromising the California power grid, threatening national security and endangering the global climate. This program is made possible by the implementation of establishment of a special tax district.

This district allows the city the ability to provide low-interest loans to property owners for the purpose of making energy efficiency measures on their properties.

Instead of having to pay all of the up front costs for these measures, then be rebated a portion of them later, the owners could use Riverside's Energy High-Efficiency Loan Program (E-HELP) to finance the projects and then re-pay the loan through a contractual assessment on their property via their tax bill.

Background:

In order to make Energy Improvements more affordable and to promote their installation, the special tax district provides procedures for authorizing voluntary assessment of finance the cost of these improvements. The Energy High Efficiency Loan Program works with consenting property owners to assess Energy Improvements that are to be made.

Riverside will make E-HELP loans to property owners within the City to finance the installation of Energy Improvement pursuant to contractual assessment agreements. The property owners in the City will repay E-HELP loans through an assessment levied against their property which is payable in semi-annual installments on property tax bills.

Goals:

The Energy High Efficiency Loan Program will carry out the City of Riverside's mission of assisting property owners of improved real property make principled investments in the long-term health of the local, state, and national economy and global environment.

E-HELP aims to provide multiple benefits. By enabling property owners to take responsible energy actions, the program seeks to cut their utility bills. At the same time it shores up the local economy the California power grid, and national and global energy interest, and makes it possible for Riverside to fulfill energy conservation and climate protection commitments.

The City in partnership with the Department of Conservation is in process of establishing goals to reduce energy consumption, raise renewable energy sources and increase efficiency. The City seeks innovative energy programs that will assist in attaining these aforementioned goals. The Riverside Public Utility intends to initially fund E-HELP with \$1 million dollars for energy efficient/reduction investments that might not have otherwise been possible, with a maximum aggregate amount of \$40 million from various sources.

Program Benefits:

Riverside believes the Energy High Efficiency Loan Program will be vital in achieving the Cities personal and Emerald City Goals to achieving local solar energy generation and creating energy efficiency programs for most properties.

If you are a property owner then E-HELP will offer the following:

- A no-money-down means of financing Energy Improvements.
- Fixed-rate loans.
- Financing without requiring a property appraisal.
- A stream-lined loan process.

Program Administration:

E-HELP will be administered by the Riverside Public Utilities which is headed by the General Manager and staff. The Riverside Public Utilities will also play a role in advising the loan applicant with rebates and best practices (i.e. install insulation and upgrading windows before integrating a solar system to maximize efficiency. ***E-HELP professionals and E-HELP staff*** will be responsible for:

Riverside Public Utilities

- Processing loan applications
- Managing and tracking funds available for E-HELP Loans
- Integrating E-HELP with Riverside Green Riverside rebate programs.
- Community Outreach/Marketing
- Energy surveys
- Solar Site Checks
- Mandate a hierarchy for efficiency installations
- Monitoring individual and collective energy conservation
- Work within RPU to confirm:
 - o Proposed measures are necessary.
 - o Plausible cost associated with the loan.

The intent of these services is to provide a “turn-key” service for Riverside property owners who would otherwise be unable or unwilling to finance efficiency measures and renewable energy options. Their participation is critical to the City in achieving its renewable energy and energy efficiency goals. E-HELP will also assist the State in reducing its carbon emissions to 15 % below 1990 levels by 2020.

Program Requirements:**Eligible Property Owners:**

All owners of improved real property are eligible for the Energy High Efficiency Loan Program. Owners may consist of individuals, associations, business entities, cooperatives, and virtually any owner which pays real property taxes.

Outstanding mortgage loans, insurance and property taxes must be paid-to-date to be eligible. Property owners are eligible to make multiple applications for additional Energy Improvements. Loans will not be made for more than 20% of a desk appraisal.

Eligible Properties:

E-HELP Loans are available to all owners of improved real properties within the City including, but not limited to, residential, commercial, and industrial properties. At this time the Energy High Efficiency Loans Program is not available for properties that do not pay property taxes, such as governmental entities and certain non-profit corporations.

Eligible Equipment:

E-HELP allows property owners in Riverside to take the opportunity to take advantage of a wide range of energy-saving measures, consistent with the following provisions:

1. E-HELP finances Energy Improvements that are permanently affixed to the property.
2. E-HELP is specifically made for Energy improvement. Property owners that elect to engage in broader retrofit projects, such as home or business remodeling, will only be provided E-HELP for the portion of the cost used to retrofit existing structures with Energy Improvements. (Discussed further in Eligible Cost.)
3. E-HELP is intended for retrofit activities to replace outdated equipment and to install new equipment that takes energy off the grid. However, E-HELP is also made available for purchasers of new homes and businesses that wish to add Energy Improvements after the property owner takes title to the property.
4. E-HELP is made available for the following types of improvements that are presented in greater detail in Appendix A:
 - a. Efficiency Measures: E-HELP supports a wide range of measures that is presented in Appendix A. E-HELP also supports Energy Improvements that are applicable for “Green Riverside Rebates” available on www.greenriverside.com
 - b. Solar Systems: E-HELP will be available for a range of solar systems from photovoltaic to solar thermal.
 - c. Custom Measures: Upon review and approval by the Riverside Public Utilities, E-HELP will be made available for emerging technologies for energy improvements that provide new ways to save or generate energy and that will be evaluated on a case-by-case basis.
5. E-HELP provides a variety of tracks to fit property owner modifications that focus on strictly Efficiency Measures, Solar Systems and Custom Measures. Additional information is provided below.
6. E-HELP is also made available for combinations of Energy improvements that may require energy efficiency measure with renewable energy. For example, a property owner may choose to replace both an aging and inefficient air conditioner and install a solar system.

Eligible Costs:

Eligible costs of the Energy Improvement include the cost of equipment and installation. Installations costs may include, but are not limited to, labor, drafting, engineering, permit fees, and inspection charges.

The installations of Energy Improvements can be completed by qualified contractor of the property owner's choice. Eligible costs do not include labor cost for property owners that elect to do the work themselves.

In each case, the Riverside Public Utilities will determine whether the estimated equipment and installation cost are reasonable. The RPU will evaluate market conditions and may require additional bids to determine whether costs are reasonable. While the property owners will be able to select the bidder of his or her choice, the amount available for the E-HELP may be limited to an amount deemed reasonable by the RPU and RPU and may be reviewed by the City Manager and the Riverside City Council.

Tracks for Participation:

As mentioned above there are three tracks for property owners to participate in the Energy High Efficiency Loan Program. Eligible equipment and standards are presented in greater detail in Appendix A:

Efficiency Track

This track covers an array of energy efficiency fixtures, ranging from windows and doors, attic insulation that are **Energy Star rated**. Packaged and central air conditioning systems must meet the minimum efficiency requirements specified in the Green Riverside Rebates Program. In addition to these programs there are specified efficiency requirements for pool pumps and heaters. All other efficiency measurements must go through the Custom Track.

Solar Track:

The Solar Track makes the Energy High Efficiency Loans Program available for Energy Improvements. This Track also provides a solar site check and consultation by ECC.

Custom Track:

Any other proposed measures follow the Custom Track. These measures can include any renewable energy resources, other than solar, including, but not limited to wind, geothermal and potentially solar-hydrogen fuel cells, as well as more complex and innovative energy management solutions and emerging technologies. The development of technologies is encouraged.

Applicants for the Custom Track should consult the Riverside Public Utilities to determine eligibility. In some cases, the findings of national energy laboratories and nationally accredited research and testing centers will be required for E-HELP approval. In any case, the city reserves the right to decline funding of any custom measure.

Energy surveys and Solar Site Checks:

Riverside Public Utilities will provide an energy survey at owners' property in order to ensure a smart investment and responsible loaning to the citizens of Riverside. During these on-site surveys, a trained program expert will review as appropriate, energy efficiency, energy management, and renewable energy opportunities. The Riverside Public Utilities will discuss E-HELP financial details with the property owner. The property owner will then be advised as to the potential Energy Improvements, their estimated cost and savings through E-HELP participation.

Energy surveys are highly recommended but not required for the Energy Efficiency Track. Energy surveys are required for an installation of a solar system. Green Riverside will provide a hierarchy of energy efficient measures that will be used as prerequisites to further improvements to ensure a smart investment.

The Financial Strategy:

Riverside Public Utilities will create a pilot Energy High Efficiency Loan Program Fund. The fund may accept funds from any available source and which may disburse such funds for the purpose of funding Energy Improvements. Loan repayments, through the property assessment mechanism, will be made to the Energy Loan Fund.

Initially the RPU will seed the Energy High Efficiency Loan Program with \$1.0 million from the Electric Public Benefit Fund. Thereafter, the Energy High Efficiency Loan Program may be funded from a number of other potential sources, and combinations of sources, which may include but are not limited to additional funding from the General Fund, RPU's Electric Public Benefit Fund, the issuance of notes, bonds or agreements with public or private lenders or other governmental entities and quasi-governmental entities such as CALPERS.

E-HELP Funds will then be used by the City for additional E-HELP Loans and/or to establish a Reserve fund or pay administrative costs and/or to reimburse itself for advancing moneys from the RPU Electric Public Benefit Funds to the E-HELP Fund. Five Percent of the initial funds will be allocated to the RPU to administer the program.

The pilot program will only work with residential property owners at this time. At least \$500,000 of the \$1 million loan will be reserved for residential property owners participating in the Energy High Efficiency Loan Program. Of the minimum funds allocated to property owners, \$150,000 will be allocated to air conditioning units. Due to solar systems cost this allocation is to ensure that the equipment that is the most cost effective per dollar is not eclipsed by solar systems allocation.

The City may also establish an E-HELP Reserve Fund if bonds are issued to cover E-HELP Payments in the event of assessment delinquencies prior to foreclosure and tax sale if deemed necessary by the City Manager and City Council.

Energy High Efficiency Loan Program Parameters:

Minimum Energy Loan Amount:

The minimum size for an E-HELP loan is \$4,000.

Maximum Energy Loan Amount:

The maximum loan for a residential property is \$50,000.

There is no maximum size for any non-residential loan. All loans greater than \$50,000 must be approved by the City Manager. Any E-HELP loans greater than \$200,000 must be approved by the City Council. This is not applicable for the initial pilot program.

Maximum Portfolio:

The maximum principal amount of energy loans to property owners under the program is \$40 million. This may be increase by the City Council at its discretion.

Duration:

E-HELP Loans are made available for up to 20-year terms to accommodate a wide range of efficiency measures and renewable energy investments. The term of the loan is in the discretion of the property owner in consultation with the City. The amortization schedule shall not exceed the life of the loan. (The life of the loan shall not exceed the expected life of the equipment. For example, a 20 year loan for an air conditioner that is expected to last 10 years will not be acceptable.)

Interest Rate:

E-HELP Loans will be made for the initial \$1.0 million an annual interest rate not to exceed 7% for all loans. Thereafter, the City Council will maintain the discretion to adjust the interest rate up to an amount not to exceed 10%. The council will determine interest rates so that the Energy Loan Fund remains financially viable up to the legal limit.

The City will set the interest rate for an E-HELP Loan at the time that the City and Property owner enter into the contractual assessment agreement.

Administrative Fees:

The City of Riverside will offer the Energy High Efficiency Loan Program as an additional City service that will assist property owners achieve their energy goals, while the City achieves its energy and Emerald City Goals. The City of Riverside will be responsible for all E-HELP marketing and outreach, as well as the duties of the “E-HELP administrative office.”

The City may elect to cover a portion of its cost through the “spread” between its combined earnings rate, and the E-HELP loan issuance rate. Similarly, it may elect to recover E-HELP cost through a spread between bond rates and loan rates, or the spread

between interest rates of any financial vehicle. The City will **not** charge property owners a fixed administrative fee.

Two forms of cost will be the responsibility of the property owner:

1. Title cost, including title insurance, will be shared by property owner and the City. This cost to the property owner will not exceed \$200.00 per E-HELP loan.
2. Assessment collection cost will appear as a line item on property taxes not to exceed \$40 per property per year, and will be paid by property owners. This cost was determined after consultation with the County of Riverside Assessor's Office.

Changes to Report:

The Riverside Public Utilities' General Manager or City Manager may make changes to this Report that the RPU General Manager, RPU Manager or City Manager reasonably determines are necessary to clarify its provisions. Any changes to this Report that materially modify the Energy High Efficiency Loan Program shall only be made approval by the City Council.

The City Manager or RPU General Manager may modify from time to time the Equipment List, Draft Loan Contract and Draft Application attached hereto as Appendix A, Appendix D and Appendix C, respectively, as deemed necessary by the City Manager, or RPU General Manager to effectuate the purposes of the program.

-Unapproved June 19, 2009 Minutes of the Board of Public Utilities
-Scheduled for approval by the Board of Public Utilities at its scheduled
Meeting on July 17, 2009 .

JUNE 19, 2009
Board of Public Utilities
"UNOFFICIAL" Minutes

DISCUSSION CALENDAR

21. CONCEPTUAL APPROVAL OF THE ENERGY HIGH EFFICIENCY LOAN PROGRAM (E-HELP)

Following discussion, the Board of Public Utilities recommended that the City Council:

1. Approve funding in the amount of \$1,000,000 for a pilot program with Public Benefits Funds;
2. Conceptually approve the Energy High Efficiency Loan Program; and
3. Direct staff to begin preparation of the program, subject to City Council approval.

Motion – Scott-Coe. Second – Sutter.

Ayes: Stockton, Sutter, Curtin, Titus, Sanchez, Scott-Coe, and Segura.

Noes: None

Abstain: None.

Absent: Robert Elliott (absence due to vacation)
Ian Davidson (absence due to business)