



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: HCD
Department No.: 055
For Agenda Of: 10/19/10
Placement: Set Hearing
Estimated Tme: 30 minutes on 10/26/10
Continued Item: No
If Yes, date from:
Vote Required: N/A

TO: Board of Supervisors

FROM: Department David Matson, Department of Housing and Community
Director(s) Development (x2068)
Contact Info: Angie Hacker, Department of Housing and Community
Development (x3515)

SUBJECT: Status of emPowerSBC

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: N/A

Other Concurrence: N/A

As to form: No

Recommended Actions:

Set a hearing for October 26, 2010 to:

- A. Receive and file a presentation on the status of emPowerSBC resulting from Federal Housing Finance Authority guidance and ongoing Federal policy deliberations about the future of Property Assessed Clean Energy (PACE) programs.
- B. Authorize the Director Housing and Community Development (HCD) to accept a competitive ARRA Energy Efficiency and Conservation Block Grant from the US Department of Energy in the amount of \$2,401,309 awarded to the County of Santa Barbara to support emPowerSBC program administration.
- C. Direct County staff to return to the Board on December 14, 2010 to present a financing implementation plan proposal for emPowerSBC, inclusive of residential and commercial energy efficiency, water conservation and renewable energy retrofit financing alternatives beyond PACE.

Summary Text:

Statements released by the Federal Housing Finance Agency (FHFA) in July have created lasting uncertainty about the future of property assessed clean energy (PACE) programs. While PACE postponement does effect one financing mechanism available to emPowerSBC, the County's innovative clean energy finance program, there are other viable options that can achieve similar outcomes and limit the County's risk. On October 26th, staff will provide the Board with an update on emPowerSBC, and

recommends that the Board authorize acceptance of a \$2.4 million grant from the Department of Energy to support emPowerSBC administrative costs for the next three fiscal years. Staff also recommends that the Board direct staff to return on December 14, 2010 to present a financing implementation plan for emPowerSBC, inclusive of program financing alternatives beyond PACE.

Background:

emPowerSBC, the County's innovative clean energy finance program, was launched on April 20, 2010, to drive demand for energy and water efficiency building retrofits, including the use of renewable energy technologies. A key aspect of initial program implementation was the development of a PACE-type financing product, which used local government authority established by California Assembly Bill 811 to allow home and business owners to pay back upfront financing for energy and water conservation improvements on their property tax bill.

Unexpectedly, on July 6, 2010, important senior lien issues were raised in a policy guidance letter to the banking industry from the Federal Housing Finance Agency (FHFA) that challenged the PACE financing mechanism being incorporated into over 275 programs similar to emPowerSBC being launched across the United States. In response, on July 13, 2010, staff provided an update to the Board in light of the statements made by the FHFA, which led the Board to adopt a resolution directing staff to wait to make residential PACE applications available until the federal policy issues had been resolved. On August 10, 2010, the Board adopted a resolution supporting congressional action to resolve the federal policy issues surrounding PACE. To date, there are three bills in Congress and six lawsuits filed by various government and community-based organizations that aim to preserve PACE.

It has become clear over the last 60 days that federal action to address the concerns of the FHFA is going to take time to resolve. Given the uncertainty regarding the future of PACE, County staff will present a preliminary approach to use \$3.2 million in emPowerSBC dedicated federal grant funding to address existing market barriers to achieving communitywide energy and water efficiency retrofit and renewable installation goals in Santa Barbara County, while simultaneously limiting risk and minimizing County General Fund costs.

On June 11, 2010, the County Department of Housing and Community Development received notification that it was awarded \$2,401,309 from a competitive solicitation by the U.S. Department of Energy (DOE), through a \$500m federal market stimulus program known as BetterBuildings. Specifically, the grant was awarded to offset administrative costs associated with piloting emPowerSBC for the first three fiscal years. emPowerSBC was one of 35 innovative programs in the nation selected to showcase local government programming that aims to drive demand for communitywide retrofit and renewables. No County match is required. This funding allows the County to develop and implement a path forward to achieve the outcomes originally forecasted for emPowerSBC:

- Create local jobs, specifically in struggling contractor trades
- Stimulate local economic output and associated multipliers, including County revenue
- Enable benefits for property owners including utility savings, increased property value, better indoor comfort and health
- Upgrade the local building stock to enhance overall community renewal
- Improve countywide resource efficiency, including conservation of water and energy, thereby leading to significant GHG emission reduction

To move forward, staff recommends that the Board take action to accept the DOE grant to cover administrative costs of emPowerSBC. Staff also recommends that the Board direct staff to return to the Board on December 14, 2010 to present a financing implementation plan proposal for emPowerSBC.

Performance Measure:

Fiscal and Facilities Impacts:

Budgeted:

Fiscal Analysis:

<u>Funding Sources</u>	<u>Current FY Cost:</u>	<u>Annualized</u> <u>On-going Cost:</u>	<u>Total One-Time</u> <u>Project Cost</u>
General Fund			
State			
Federal			
Fees			
Other:			
Total	\$ -	\$ -	\$ -

Staffing Impacts:

Legal Positions:

FTEs:

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Special Instructions:

Attachments:

Authored by:

Angie Hacker, Housing and Community Development