BOARD OF SUPERVISORS
AGENDA LETTER

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

Agenda Number:

Department Name:	1st District
Department No.:	
For Agenda Of:	June 2, 2009
Placement:	Set Hearing for June 23, 2009
Estimated Tme:	30 minutes
Continued Item:	No
If Yes, date from:	
Vote Required:	Majority

TO:	Board of Supervisors	
FROM:	Department Director(s)	Salud Carbajal, First District Supervisor
	Contact Info:	Dianne Black, Director of Development Services, P&D David Matson, Deputy Director, Office of Long Range Planning Bob Nisbet, Director, General Services
SUBJECT:	**Development of a County Solar and Energy Efficiency Improvement Financing Program**	

County Counsel Concurrence
As to form: N/A

Auditor-Controller Concurrence
As to form: N/A

Other Concurrence: N/A

Recommended Actions:

That the Board of Supervisors (Board) set a hearing for June 23, 2009 to consider the following actions:

a) Receive a presentation on the concept of developing a Countywide Energy Efficiency Improvement Financing Program; and

b) Direct staff to continue work on a feasibility analysis and return to the Board with the legally required documents and implementation plan necessary for the Board to further consider adoption of a pilot Countywide program.

Summary Text:

On July 21, 2008, California enacted AB 811 as an urgency measure, 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 way to help property owners finance energy improvements. Specifically, AB 811 authorizes the establishment of contractual assessment programs in order to finance the installation of solar photovoltaic panels and energy efficiency upgrades that are permanently affixed to real property. Under this program, voluntary participants could install a wide variety of approved improvements and be allowed to finance those improvements over time through a supplemental assessment on their property tax bill. If the property owner were to sell the property, the remaining assessment balance is maintained with the property and transferred to the next owner.

Background/Discussion:

On July 21, 2008, California enacted AB 811, a law enabling cities and counties to set up local finance programs to incentivize property owners' ability to install solar panels and make energy efficiency upgrades to their property. Through this law, supplemental contractual assessments on local property tax bills are used to pay for these improvements. In doing so, AB 811 aims to minimize the upfront costs of improvements and provides property owners with a *pay-as-you-go* funding option, which includes a longer repayment period than might otherwise be possible with conventional financing. Since contractual assessments run with the property, program costs and benefits can be transferred to subsequent owners when the property is sold. This helps address many property owners' reluctance to install higher-cost solar and energy efficiency upgrades, since the cost of those improvements may not be fully recovered in the price of the home upon resale.

As part of AB 811, all improvements must be permanently affixed to pre-existing residential, commercial, industrial or other real property. The provisions of the program do not apply to new development.

Permitting and Process:

To compliment the passage of AB 811 and address potential implementation barriers, the First District Office has worked with Planning & Development (P&D) staff over the past nine months to improve the permit process for solar panels and to encourage installation of solar facilities throughout the County. These efforts have already resulted in positive outcomes. For example, the P&D Building and Safety division has developed a coordinated plan check approach with the three Fire Departments/Districts that operate in the County, and have committed to complete plan check on solar installations within ten days of submittal.

In addition, on April 8, 2009, the County Planning Commission recommended that the Board adopt ordinance amendments to exempt ground mounted solar energy collection systems from land use permitting in the inland areas of the County, and from public hearing requirements in the coastal zone.[1] Similar amendments were recommended by the Montecito Planning Commission on April 22, 2009, and ordinance revisions are scheduled for consideration by the Board on June 2, 2009.

Moving forward P&D, in collaboration with my Office, intends to focus on expanding public outreach opportunities by drafting an update of the existing public information brochure related to solar facilities. Once finalized, this information will be available at the public counters in P&D, posted on the County website, provided through departmental communications to applicants, and provided through Innovative Building Review Committee meetings.

[1] Roof mounted solar energy collection systems have been exempt from land use permitting for several years.

Relationship to AB 32 and the American and Recovery Reinvestment Act (ARRA) of 2009:

The incentives provided to property owners through a financing program would result in communitywide energy savings and a corresponding reduction of GHG emissions. Such a program would be consistent with the County's adopted Climate Change Guiding Principles and would help the County comply, via its forthcoming Climate Action Strategy, with the goals of AB 32 (Global Warming Solutions Act). Moreover, Federal funding available through the American Recovery Reinvestment Act of 2009 (ARRA) could be leveraged to offset the cost of establishing a financing program. In fact, the California Energy Commission is actively exploring ways to couple ARRA funding with AB 811 to encourage widespread deployment of combined energy efficiency retrofit and solar financing programs. Activities such as administrative program costs, financing costs, educational demonstration projects, and seed money for a pilot effort may be funded through a number of competitive ARRA grants, including:

- Competitive Energy Efficiency and Conservation Block Grants
- The State Energy Program
- Community Development Block Grant
- Workforce Training (Green Jobs)
- Low-income Weatherization
- Energy Efficient Appliance Rebate Program
- Tax Credits/Rebates

In addition, recent changes by Congress to the Federal Tax Credit and Energy Efficiency Rebate Program have provided direct incentives to homeowners that compliment these ARRA grant programs by providing tax credits for qualifying energy efficiency improvements in the areas of solar installation, weatherization retrofits, and energy-star appliance upgrades. Similar programs are also available to businesses to partially offset costs associated with energy efficiency retrofits.

Program Considerations and Implementation:

Beyond the direct tie to the goals of ARRA and AB 32, a financing program would compliment the Board of Supervisor's action on March 17, 2009 to direct the Office of Long Range Planning to facilitate development of a Climate Action Strategy (CAS). During this Board hearing, the County's three roles concerning State climate change requirements were discussed in detail; as a "producer" of operational greenhouse gas (GHG) emissions, and both a "regulator" and "incentivizer" of reductions to communitywide GHG emissions. A solar and energy efficiency financing program falls squarely within the County's role of incentivizer, which is being planned and managed by the Office of Long Range Planning. Accordingly, should the Board direct staff to continue its feasibility analysis of this effort and ultimately approve a program, it is recommended that Long Range Planning staff implement and manage the program to ensure continuity with all related communitywide Climate Action Strategy activities.

Lessons learned through the establishment of a local program will compliment and inform the public participation component of the County's CAS, which is set to begin in fiscal year 2009-2010. Further, the program's key placement as the first incentive-based component of the CAS, will guarantee streamlined access to significant benefits for both businesses and homeowners. These benefits include reduced upfront costs associated with auditing, retrofitting, and installing renewable power for the built environment; lowered ongoing out-of-pocket energy costs; and increased building comfort.

Additionally, implementation could highlight the program as a flagship communitywide GHG reduction effort that offers direct benefits to property owners, compliments ongoing County activities to address its own operations, and remains strictly voluntary.

In order to best position this program for success, staff should consider the most cost-effective and up-to-date techniques used by the building and energy industries. Since the age and condition of the County's built environment is extremely diverse, a program must be both flexible and customized to meet the needs of each individual building, while also maximizing the potential number of participants and enabling broad market penetration. Coincidentally, AB 811 enables a broad array of energy efficiency improvements, including enhancements to the basic elements of a home, such as window sealing, which are often relatively inexpensive, but still result in sizable energy efficiency increases. Conversely, property owners may wish to begin the retrofit process by installing a complete solar system. Accordingly, the County's financing program would balance the needs of households and business with their respective ability-to-pay and enable participation in this strategic energy efficiency initiative at variety of price points.

Through these efforts, the County can advance the local economy by stimulating the market for solar and energy efficient materials and labor, thereby creating a multiplier effect through an increase in consumer demand and spending. Such economic development can improve the County's internal revenue stream and enhance local job opportunities during a difficult fiscal period.

Programs in other Jurisdictions:

Three jurisdictions, including the cities of Berkeley and Palm Desert, as well as Sonoma County, have been at the forefront of establishing energy efficiency finance districts and implementing pilot programs. As a charter city, Berkeley was able to pursue a program before AB 811 became law, announcing their program in December 2007 as part of a comprehensive Climate Action Plan. Berkeley has used its authority as a charter city to adopt a special tax financing district, and property owners within the district are given a choice to apply for program participation. Berkeley is currently implementing a $1.5 million residential pilot program, focusing just on solar installations, with a goal of incentivizing 40 home solar conversions. The maximum amount of financing available under the pilot program is $37,500 per property.

The City of Palm Desert's program was implemented in 2007 and designed to operate for five-years, ending in 2011. The program's objective is to achieve a reduction in communitywide GHG emissions; however, a significant focus has also been placed on reducing communitywide energy costs. In fact, a 30% reduction in energy costs has been established as a savings target to be achieved by 2011, when the program sunsets. To encourage rapid program implementation, Palm Desert has chosen to subsidize the up-front costs of the program by financing the solar and energy efficiency loans from its General Fund. Thus far, Palm Desert has made 208 loans with a total volume of $7.5 million available to property owners. Of the 208 loans, 88 have been for solar panels and 120 have been for other energy efficiency improvements. Palm Desert estimates that the solar and energy efficiency improvements enabled through these loans have created almost $20 million in consumer savings on energy bills.

Sonoma County recently implemented a solar and energy efficiency financing program, opening the program on March 25, 2009 and signing its first property owner contract on April 16, 2009. Differentiating itself from other programs, Sonoma County's program includes the participation of the

County as the lead agency and all nine incorporated cities. Capital for the program comes through loans provided by the Sonoma County Treasury and Water Agency to the program administrator. Funding is then provided directly to program participants.

Fiscal Analysis:

The provisions of AB 811 require the County to develop a plan for raising capital required to pay for qualifying improvements. The plan could include transfers from existing County funds, the direct sale of government-backed bonds, or other private-sector based financing relationships. On March 16, 2009, several preliminary financing options were presented to the County Debt Advisory Committee (DAC). At this point, all options have been derived from programs in place in other jurisdictions, including those discussed above.

If the Board is supportive of the program concepts presented, staff should be directed to continue analyzing the feasibility of implementing these and other options, and to seek methods to offset both the direct and indirect costs of program implementation and administration. This effort should be inclusive of carrying out a financial feasibility and risk analysis, in line with the DAC's directive to perform advanced due diligence. In addition, staff should work with local financial institutions, energy efficiency professionals, and other jurisdictions throughout the region to explore and determine specific levels-of-interest, and ascertain concerns as well as opportunities for future partnerships.

Staff should be directed, based on current resource availability, to present these analytical findings to the DAC at their July 23, 2009 meeting. Following the DAC meeting, staff should schedule a follow-up briefing with the Board. This briefing should include a report on the findings of the financial feasibility and risk analysis. If feasible, the briefing should address needed implementation measures, including the design of a formal program, the completed legal framework needed to implement a program, and a phased implementation plan,

Staffing Impacts:

Legal Positions:	FTEs:
N/A	N/A

Special Instructions:

Attachments:

Authored by:

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cc:

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