



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** November 17, 2009

**TO:** Mayor and Councilmembers

**FROM:** City Administrator's Office

**SUBJECT:** Intent To Participate In AB 811 Central Coast Energy Independence

### **RECOMMENDATION:**

That Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Declaring Its Intention to Participate in the Central Coast Energy Independence Program, Which Will Allow City Property Owners to be Included in a County Assessment District that Provides Financing for Private Energy Efficiency and Renewable Energy Projects on a Voluntary Basis.

### **DISCUSSION:**

In July 2008 California passed Assembly Bill 811 permitting local governments to create municipal financing programs that allow property owners to enter into contractual assessments to finance the installation of energy efficiency or distributed renewable energy generation improvements on their property. By entering into a contractual assessment property owners are able to repay the assessment with their property tax over 20 years.

In June 2009 the County of Santa Barbara Board of Supervisors directed County staff to determine the program feasibility, explore initial and ongoing funding and design a program. Since that time, the County staff completed a feasibility study and identified initial sources of funding. The feasibility study acknowledged that in order for the program to be successful in Santa Barbara County, regional participation by all of the cities located within the County is necessary. With regional participation the program can achieve economies of scale and generate sufficient interest from the public. The program is projected to fund approximately 400 applications per year for both residential and commercial retrofits, totaling approximately \$12 million in improvements. Contractual assessments are expected to average approximately \$30,000 per property.

The County estimates that the initial start-up cost for the program is \$1 million. County staff has identified two American Recovery and Reinvestment Act (ARRA) State funding opportunities: the State Energy Program (SEP) and Energy Efficiency and Conservation Block Grant (EECBG) for Small Cities and Counties to reduce the start-up costs. Both

of these funding opportunities allow for the funds to be applied towards a municipal financing program. The SEP application deadline has been extended to December 21, 2009, and the EECBG application is due on January 12, 2010. County staff is planning to submit applications for each grant. As part of the application requirements the County must submit resolutions of intention to participate in the municipal financing program from partnering agencies as well as authorize them to apply for funding on our behalf. The County is not requesting a financial contribution from the City of Santa Barbara for program start-up or ongoing costs.

On October 1, 2009, County staff made a presentation to the Sustainability Council Committee. The Sustainability Council Committee recommended that Council adopt a resolution of intention to participate in the County's program, assuming that no financial contribution would be required for start-up or ongoing costs and that the program parameters would be developed with City staff and other regional partners.

**SUSTAINABILITY IMPACT:**

By assisting property owners in the financing and installation of energy efficiency and renewable energy projects the CCEIP will help to reduce energy consumption in our community, particularly existing buildings where retrofits are needed.

**NEXT STEPS:**

If Council adopts the resolution, Staff will work with the County on the details of the program and return to Council in early 2010 with a formal resolution to participate in the program and a cooperative agreement to operate the program.

**ATTACHMENT:** Letter from Michael F. Brown, County Executive Officer, Santa Barbara

**PREPARED BY:** Lori Pedersen, Administrative Analyst

**SUBMITTED BY:** James L. Armstrong, City Administrator

**APPROVED BY:** City Administrator's Office

## County of Santa Barbara



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 Santa Barbara, California 93101  
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 www.countyofsb.org

**Michael F. Brown**  
 County Executive Officer

### Executive Office

October 12, 2009

James Armstrong  
 City Administrator  
 City of Santa Barbara  
 P.O. Box 1990  
 Santa Barbara CA 93102-1990

Dear Mr. Armstrong:

During our August 12, 2009 City Mangers meeting, David Matson, a member of my staff, made a presentation on current County efforts to establish a regional energy financing program (Central Coast Energy Independence Program or CCEIP), pursuant to California Assembly Bill 811. The program would help facilitate energy efficiency retrofits and solar installations for existing homes and commercial buildings by offering voluntary loans to property owners, thereby overcoming the obstacle of high upfront costs. As of today, only two programs are up and running across the nation, and both are in California. These programs in Sonoma County and the City of Palm Desert are putting contractors back to work, incubating new businesses, lowering participants monthly utilities bills, and have already induced tens-of-millions in local private investment. Initial estimates demonstrate that over \$100 million in private investment could be leveraged into the regional economy through the County's proposed program. Undoubtedly, the community benefits associated with these types of programs are real and comprehensive.

Following the presentation, each of you expressed positive interest in your city participating in a regional CCEIP. Accordingly, I am following up to confirm your continued interest. In the near future, the County Board will consider the formal creation of the CCEIP and, if directed by the Board, the County plans to establish a regional program for launch by spring 2010. Without a doubt, participation from each incorporated city will be a fundamental aspect of program success. Although the County does not intend to ask for a financial contribution from each participating city, there are steps that you can take to formalize your support.

To assist with covering upfront costs of establishing and administering the CCEIP for the region, the County is planning to submit an application for federal American Recovery and Reinvestment Act (ARRA) State Energy Program funds on November 30, 2009. To ensure the County submits the strongest possible ARRA grant application for the CCEIP, I am requesting that you express interest in participating in the regional program. That interest could take the form of either a letter of support from your office or a resolution of intent from your City Council. We will need to hear from you no later than November 25, 2009 so that we can accurately characterize the full scale and character of the regional program in our grant application.

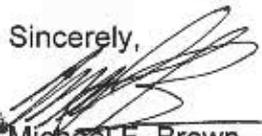
Following the Board's discussion and program implementation decision, and over the coming months, County staff will work with your jurisdiction to establish a formal program agreement. I

October 12, 2009

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look forward to your continued engagement and support for the County as we move to create the first region-wide coastal program in the nation. Please contact David Matson at 568-2068 or John McInnes at 568-3552 for further assistance and more information.

Sincerely,

  
Michael F. Brown  
County Executive Officer

Attachment

## Attachment 1

## Program Description and Regional ARRA Grant Opportunity

Santa Barbara County (County) is currently analyzing the feasibility of establishing a regional Municipal Energy Efficiency and Solar Financing Program (Program). This Program would allow the County to provide voluntary "loans" to property owners for energy efficiency retrofits (i.e., new windows and doors, HVAC systems, insulation, radiant roof barriers, etc) and renewable energy improvements (i.e., solar panels). Water conservation systems would also be a part of the County's regional program.

Launching a regional Program open to all residential and commercial property owners in the cities and the unincorporated area requires the County to fund significant start-up and ongoing administrative costs. Start-up costs would consist primarily of bond counsel and underwriter service and ongoing costs would include:

- Marketing and advertising materials, including a strong internet presence.
- A loan-loss fund to preserve programmatic integrity and risk mitigation options.
- Four full-time Program staff with specialized lending knowledge to service several hundred loan applications per year.
- Rent and overhead for storefronts in the northern and southern regions of the County.

Thus far, the County's analysis has determined that roughly \$1 million will be needed to address these upfront costs and the County is proposing to use its entire Energy Efficiency and Conservation Block Grant (EECBG) designation for this purpose. In addition the County intends to apply for additional American Recovery and Reinvestment Act (ARRA) State Energy Program (SEP) grant opportunities to augment those EECBG funds and further mitigate programmatic risks. Municipal Energy Efficiency and Solar Financing programs are one of four areas eligible for funding through a competitive process.<sup>1</sup>

SEP grant applications are due November 30, 2009. The CEC encourages collaboration among communities, since regional programs have the greatest likelihood of achieving the economies of scale needed for long term success. Accordingly, letters of interest from cities showing support for the County's program will increase the competitiveness of the proposed SEP grant application. These letters are requested no later than November 25, 2009. The County will formalize participation commitments from the cities through resolutions and agreements in January 2010.

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<sup>1</sup> For more information, you may download the SEP Guidelines at: <http://www.energy.ca.gov/recovery/sep.html>. Discussion of Municipal Energy Efficiency and Solar Financing programs is found on page 17 through 25.



SECRET

UNITED STATES DEPARTMENT OF THE ARMY  
 OFFICE OF THE CHIEF OF STAFF  
 WASHINGTON, D. C. 20315

MEMORANDUM FOR THE CHIEF OF STAFF  
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