



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** March 9, 2010

**TO:** Mayor and Councilmembers

**FROM:** City Administrator's Office

**SUBJECT:** Participation In The Santa Barbara County Municipal Financing Program (California AB 811)

**RECOMMENDATION:** That Council:

- A. Adopt, by reading of title only, A Resolution Approving County of Santa Barbara Resolution of Intention, Consenting to Participation in Contractual Assessment Program and Approving the Financing of Installation of Distributed Generation Renewable Energy Sources, and Energy Efficiency and Water Efficiency Improvements Within the Incorporated Area of the City; and
- B. Authorize the City Administrator to execute a cooperative agreement to implement an AB 811 Contractual Assessment Program with the County of Santa Barbara.

### **BACKGROUND:**

In July 2008 California passed Assembly Bill 811 permitting local governments to create municipal financing programs that allow property owners to enter into voluntary contractual assessment to finance the installation of energy efficiency or distributed renewable energy generation improvements on their property. By entering into a voluntary contractual assessment, property owners are able to borrow the funds they need to improve the energy and water efficiency of their home or business real property. The property owners would repay the borrowed funds through a fully amortized assessment billed as part of their property taxes over a period of up to 20 years. In November 2009 Assembly Bill 474 was enacted; it now permits the inclusion of water efficiency projects as part of a municipal financing program.

In June 2009 the County of Santa Barbara Board of Supervisors (Board) directed County staff to determine the feasibility of an AB 811 municipal financing program, to explore initial and ongoing funding and design a program. Since that time, the County staff completed a feasibility study, identified sources of funding and began program design. 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.

As part of the financial analysis, the County estimates that the initial start-up cost for funding the AB 811 municipal energy and water financing program (Program) is \$1 million. County staff identified and submitted applications for American Recovery and Reinvestment Act (ARRA) funding opportunities for the start up costs. As part of the requirements for the State Energy Program and Energy Efficiency Conservation Block Grant applications, the County was required to submit resolutions of intention to participate in the municipal financing program from partnering agencies. On November 17, 2009, in support of these applications, the City of Santa Barbara passed a resolution declaring its intention to participate in the program.

On January 12, 2010, the Board directed County staff to provide participating cities a draft resolution approving formal participation in the County's program.

#### **DISCUSSION:**

This program will provide financial incentives for building retrofits to residential and commercial properties located throughout the region, thereby stimulating the local economy and reducing energy and water consumption in our community.

Staff has reviewed the County's Draft Administrative Guidelines (Guidelines) and has worked closely with County staff on the authorized improvement projects. All authorized improvement projects within City boundaries will be required to comply with the City of Santa Barbara Building Code. The majority of projects specified in the Guidelines will require building permits and are covered by our standard Municipal Code requirements.

The cooperative agreement requires potential carbon credits generated by improvements in the City of Santa Barbara be held by the County on behalf of the Program. Due to the uncertainty regarding state regulation and the potential value of the credits, the agreement also requires the future use, sale, or transfer of the credits to be determined by the mutual agreement of the City and County.

As part of the agreement, the City is also requiring participating property owners to complete a water check-up as part of proposed water efficiency projects. If solar projects are proposed, program participation will require compliance with the City's Solar Design Guidelines.

#### **FINANCIAL IMPACT:**

The City of Santa Barbara will not be required to provide administrative funding in order to participate in the Program since these costs will be included in the total assessment amounts. However, the City will receive revenue generated by the building permits issued for these energy and water efficiency projects. Staff does not anticipate that the Program will generate additional workload for staff, beyond the current practice of conducting building permit inspections.

**SUSTAINABILITY IMPACT:**

By assisting property owners with the financing of renewable energy projects and energy and water efficiency projects, this Program will help the community reduce energy use and conserve water.

**NEXT STEPS:**

In order for the County to move forward on March 16, 2010, with its Resolution of Intention to establish the program, each of the Santa Barbara County cities must adopt a resolution agreeing to participate in the program.

Final action to approve program financing will be considered by the County Board of Supervisors on April 13, 2010 with an anticipated program start date of April 22, 2010.

Draft Administrative Guidelines for the program are on file in the City Clerk's Office.

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

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

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