

**City of Culver City, California
Agenda Item Report**

Meeting Date: 06/28/10	Item Number: <u>A-4</u>
CITY COUNCIL AGENDA ITEM: Adoption of a Resolution Authorizing Culver City Property Owners to Participate in the Los Angeles County Energy Program	
Contact Person/Dept.: Helen Kerstein/PW Phone Number: (310) 253-5618	
Fiscal Impact: Yes ☐ No ☒ General Fund: Yes ☐ No ☒	
Public Hearing: ☐ Action Item: ☒ Attachments: ☒	
Commission Action Required: Yes ☐ No ☒ Date: _____	
Public Notification: (Method) Agenda and Meetings – City Council (Date); (Method) Ongoing Topics – Sustainability and Environmental Issues (Date)	
Department Approval: Charles D. Herbertson(06/16/10)	City Attorney Approval: Carol Schwab (by H. Baker) (06/22/10)
Chief Financial Officer Approval: Jeff Muir (by M. Noller) (06/22/10)	City Manager Approval: P. Lamont Ewell (06/23/2010)

RECOMMENDATION:

Staff recommends the City Council adopt a resolution authorizing Culver City property owners to participate in the Los Angeles County Energy Program (LACEP).

BACKGROUND:

In November 2007, the City of Berkeley adopted a program to allow property owners to finance solar installations and energy efficiency improvements through property tax assessments. Shortly thereafter, numerous other jurisdictions, including Sonoma County and the City of Palm Desert, began exploring similar programs.

In response to the interest in these programs shown by communities around the state, the California State Legislature passed and the Governor signed Assembly Bill 811 (AB 811) in July 2008. AB 811 clarified State Law to explicitly authorize all local governments to provide financing, payable over time through property tax assessments, to property owners for the installation of energy and water efficiency improvements and distributed generation renewable energy sources (such as solar panels) that are permanently fixed to properties.

In April 2009, the Los Angeles County Board of Supervisors (Board of Supervisors) directed County staff to begin creating an AB 811 program for the County called the Los Angeles County Energy Program (LACEP). After months of working with stakeholders and consultants to craft the program, the Board of Supervisors officially adopted LACEP on May 25, 2010. Initially, the program is expected to cover only residential properties, but the County anticipates expanding the program to commercial properties at some point in the future.

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As adopted, the program allows for the financing of qualified improvements within the unincorporated areas of the County and in incorporated cities upon the adoption of resolutions of participation by the relevant City Councils. Staff recommends the City Council adopt such a resolution to allow property owners in Culver City to voluntarily participate in LACEP.

DISCUSSION:

According to the most recent American Factfinder Census data, roughly 90 percent of Culver City housing units were built prior to the energy efficiency standards passed in 1978. Many of these older homes lack insulation, well-sealed windows and doors, and other basic items necessary for energy efficiency.

Some Culver City residents have access to private financing, either through home equity loans or other means, to pay for the energy efficiency and water reduction improvements necessary to bring their homes up to current standards. However, especially given the current tight credit market, other homeowners may find it difficult to finance these upgrades.

LACEP provides an alternative funding mechanism for such improvements. It allows property owners who meet minimum loan-to-value and loan-to-lien ratios and other financial qualifications, such as being current on their payments and property taxes, to pay for improvements through bi-annual assessments on their property taxes. These assessments are secured by liens placed against the properties. The liens travel with the properties rather than the owners, and thus do not have to be repaid upon sale. Furthermore, because the loans are attached to the properties rather than the property owners, owners only need to meet very basic personal financial requirements. Owners must affirm that they are not in bankruptcy and have not filed for bankruptcy in the last 10 years; however, they do not need to undergo a credit check or income verification to participate.

The County intends to finance the LACEP largely through the sale of bonds and for the program to be self-sustaining in the long-run. Thus, the County expects to set the interest rates for the loans at a level that will allow it to pay the interest on the bonds (which are not tax-exempt under current law) as well as administrative costs. Given the current market, the County anticipates that that these rates will likely be between 8 and 9%, which is somewhat above what some homeowners will be able to secure on the private market. Thus, this program may be more attractive to property owners who are not able to qualify for private financing, such as older residents who have low incomes but significant home equity.

By adopting the attached resolution (Attachment 1), the City Council will allow property owners in Culver City to be eligible to voluntarily participate in LACEP. The resolution authorizes the County to accept applications from and levy assessments against the property of participating owners within City boundaries. It also authorizes

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miscellaneous related actions and makes certain findings and determinations required by law. The City can withdraw from LACEP at any time by the City Council adopting a resolution rescinding the authorization.

By participating in LACEP, the City's property owners have the option of AB 811 financing without committing staff time to design, implement and administer the City's own program. In contrast to setting up a City-specific program, which would be prohibitively expensive, there is no cost to the City to participate in LACEP. The County and participating property owners will bear the costs associated with setting up and administering the program. The County will provide a comprehensive website and marketing/outreach material templates, which can be modified or supplemented by the City. Also, local utilities may also play a role in helping to coordinate the program and may serve as an additional clearinghouse for information.

Providing this financing option will increase access to energy efficiency, water efficiency and renewable energy improvements that will result in environmental benefits for the City. Furthermore, these improvements have the potential to provide long-term savings on energy and water costs, which may offset some or all of the initial expense of the upgrades. Potential savings from energy and water efficiency upgrades may be enhanced if LACEP financing is paired with rebates, which may be currently available or under consideration by local investor-owned utilities and the federal government (for example, through the proposed Homestar program).

LACEP was discussed by the Westside Council of Governments' Sustainable Subcommittee as well as the City's Sustainability Subcommittee. The City's Subcommittee supports the concept of Culver City participating in LACEP.

FISCAL ANALYSIS:

There are no direct fiscal impacts to the City from adopting the proposed resolution. Some staff time may be necessary to coordinate the program and promote outreach, but it is not expected to be significant. In the long run the City must remain mindful that as more programs that promote conservation and energy savings are implemented and energy consumption decreases, there will be corresponding decreases in revenue from the Utility Users' Tax. Factoring this trend into future financial projections will become increasingly important as the technologies improve and prices decrease. There is also the possibility of slight increases in property tax revenues to the extent this program increases home values.

ATTACHMENTS:

1. Proposed Resolution

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MOTION:

That the City Council:

Adopt a Resolution authorizing Culver City property owners to participate in the Los Angeles County Energy Program (LACEP).