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"To enrich lives through effective and caring service"

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To: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: Dave Chittenden
Chief Deputy Director

Joseph Kelly
Treasurer and Tax Collector

BOARD MOTION OF MARCH 22, 2016 AGENDA, ITEM NO. 13 - EXPANDING THE PROPERTY ASSESSED CLEAN ENERGY (PACE) PROGRAM

On March 22, 2016, your Board directed the Internal Services Department (ISD) to report back in 60 days on an action plan for expanding the County's Property Assessed Clean Energy (PACE) program. We subsequently asked for extensions to report back to your Board by July 29, 2016. We briefed this report at the Operations Cluster meetings of July 21, 2016 and July 28, 2016. Specifically, your Board directed the following of ISD, working in coordination with the Treasurer and Tax Collector (TTC) and County Counsel, to:

1. Report back on a process that will allow for the expansion of the County of Los Angeles (County) PACE Program to include other administrators if they agree to meet the terms and conditions of the County's PACE Program, which include a commitment to not engage in separate programs with individual cities, and adopt the County's legal framework for assessment bonds;

2. Immediately outreach to cities throughout the County to convey the importance of developing a coordinated, Countywide PACE Program that optimizes consumer protections including the development of a Countywide PACE Program and support for the Residential PACE Industry Standards;

3. Encourage the use of existing energy efficiency incentives (including Energy Upgrade California) in conjunction with the County PACE Program; and

4. Report to the Board of Supervisors in writing within 60 days with a proposed action plan for accomplishing the above.

Background

The County officially launched the residential PACE financial program on May 28, 2015 in 86 participating cities and County unincorporated areas. Program participation in year one exceeded the County's original projections. As we reported to your Board in our May 12, 2016 memorandum, the County's two PACE Program Administrators had approved 15,300 projects totaling $364 million.

Given year one's volume, anticipated growth, and infusion of other PACE program administrators into the marketplace, the County has identified the need for its residents to have consistent and uniform PACE standards for all PACE program administrators.

1. A process to expand the County PACE Program.

To expand the County PACE Program to include other program administrators, minimize consumer confusion, and ensure consistency in the provision of PACE Program services, ISD recommends: (i) amending the contracts with the County's current PACE Program Administrators (Renovate America and Renewable Funding) to add additional program requirements, including additional consumer protections, and (ii) developing a Request for Statements of Qualifications (RFSQ) to execute Master Agreements with vendors that meet minimum requirements and agree to provide PACE Program administration services while adhering to the County' terms and conditions. ISD will negotiate with both existing contractors to either continue with the current contracts or qualify them for a Master Agreement, as discussed below.

Several PACE program administrators operating in the State have collaborated on the development of industry standards for residential PACE consumer protection policies. The consumer protection policies articulate guidelines in fourteen different areas. We have performed a comparative review of the consumer protection policies to the terms and conditions of the County's two current contracts with the PACE Program Administrators and found that the County's terms and conditions meet or exceed the guidelines.

ISD also recommends soliciting for additional PACE program administrators via an RFSQ to provide the flexibility of adding vendors that can provide the required services. The RFSQ will be open and continuous, allowing vendors to qualify and be awarded Master Agreements through the term of the RFSQ. ISD will develop minimum requirements and a qualification process that will help ensure that PACE program administrators adhere to County terms and conditions. To qualify for a Master Agreement, vendors will be required to meet minimum requirements and qualifications in the RFSQ, including:

1. Agreeing to the terms and conditions of the County PACE Program.
2. Agreeing to not engage in separate programs with individual cities.
3. Adopting the County's AB-811 legal framework for the issuance of assessment bonds.

Some cities within the County are already participating in the County PACE Program, but also entered into separate contractual relationships with PACE program administrators outside of the County PACE Program. After meeting with one representative city, the City of Los Angeles, we learned that its primary motive for entering into non-County PACE program administrator contracts was to take advantage of seismic retrofits, an eligible improvement that the County's Program does not currently provide.

When your Board approved the establishment of the County's PACE program in May 2010 pursuant to the legal framework authorized by AB 811, the types of projects eligible for PACE financing were limited to energy and water efficiency improvements. Since the establishment of the PACE Program in 2010, several legislative changes have expanded the types of projects eligible for PACE financing under the AB 811 legal structure, including:

- Seismic strengthening improvements
- Electric vehicle (EV) charging infrastructure improvements
- Leasehold or possessory interests in public property

ISD and the TTC have not identified any reason why seismic retrofits, EV charging infrastructure and leasehold or possessory interests improvements should continue to be excluded from the County PACE Program. By not offering these projects as eligible improvements in the County PACE Program, we are concerned that incorporated cities will be incentivized to enter into separate contractual relationships with program administrators outside of the County PACE Program.

ISD and the TTC recommend that your Board consider revising the County PACE Program to include these improvements by formally instructing ISD and the TTC to take all administrative actions necessary to implement this recommendation.

2. Outreach to cities to convey the importance of developing a coordinated Countywide PACE Program.

ISD works very closely with cities and the Councils of Governments (COGs) within the County, all of whom report that numerous PACE program administrators continually approach their elected officials and executives about signing up with their respective

PACE programs. To address this issue, these cities and COGs have repeatedly voiced the need for PACE centralization and standardization.

Once your Board instructs ISD and the TTC how to proceed with the PACE Program recommendations discussed in this report, we will communicate all developments to the cities and COGs and formally seek their support for consolidation under the County PACE Program.

3. Encourage the use of existing energy efficiency incentives through the County PACE Program.

Energy Upgrade California (EUC) is a State-sponsored incentive program which encourages comprehensive upgrades in single family residences. ISD administers that program within the County and provides marketing and outreach, incentives administration, and contractor training and support. Since EUC is funded by utility ratepayers, it includes standards to ensure that funding is used in a cost-effective manner and within regulatory requirements adopted by the California Public Utilities Commission (CPUC).

PACE projects far exceed the number of EUC projects in the County and the State. As the administrator of both PACE and EUC, the County is in a unique position to "align" the objectives of both programs.

ISD has developed a proposal for streamlining the EUC incentive application process and intends to work with our PACE Program Administrators to promote this streamlined process. In doing so homeowners will have more information regarding State incentive programs for energy and water saving home improvements. The proposal overview has been submitted to the CPUC as part of a County program to help mitigate potential energy and natural gas shortages this year due to the Aliso Canyon Gas Storage Site situation and the proposal will be submitted to the CPUC this fall as part of the SoCalREN program filing for 2017 and beyond. In the interim, ISD is working with both of its County PACE Program Administrators to implement marketing and education about the current EUC incentive.

Conclusion

We recommend that your Board consider revising the County PACE Program to include the following improvements permitted under State statute.

- Seismic strengthening improvements
- Electric vehicle (EV) charging infrastructure improvements
- Leasehold or possessory interests in public property

If your Board wishes to revise the County PACE Program to include these types of projects as eligible improvements, ISD and the TTC will take all necessary administrative actions to implement this recommendation. We can then release a RFSQ to allow PACE program administrators that meet the County's requirements to become part of a Master Agreement of PACE Program Administrators. We would also then be able to continue our outreach to the City of Los Angeles to identify options through which it would participate under the County PACE Program to offer seismic improvements. Finally, we would initiate a formal communication outreach to all cities informing them of these significant, and we believe, positive, developments in the administration of the PACE Program in the County of Los Angeles.

Should you have any questions, please contact Dave Chittenden (323) 267-2103, via email dchittenden@isd.lacounty.gov. You may also contact Joseph Kelly at (213) 974-2101, via email at jkelly@ttc.lacounty.gov.

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