



JOHN NAIMO
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

August 18, 2015


The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

16 August 18, 2015


PATRICK OZAWA
ACTING EXECUTIVE OFFICER

**REQUEST AUTHORIZATION FOR THE AUDITOR-CONTROLLER
TO PLACE PROPERTY ASSESSED CLEAN ENERGY
ASSESSMENTS ON COUNTY TAX ROLLS
ALL DISTRICTS (3-VOTES)**

SUBJECT

Pursuant to Assembly Bill (AB) 811 (2008), a city or county can designate an area where property owners can receive financing for energy efficiency upgrades and renewable energy installations on their private properties by entering into voluntary contractual assessments where the costs for the improvement are paid via their property tax bill.

The California Statewide Communities Development Authority (CSCDA) has created the CSCDA CaliforniaFIRST Property Assessment Clean Energy (PACE) Program and has requested the Auditor-Controller (A-C) to place their PACE assessments on the County tax rolls for those residents whose cities within the County have enrolled in the CSCDA CaliforniaFIRST PACE Program.

IT IS RECOMMENDED THAT THE BOARD:

1. Authorize the A-C to place residential PACE assessments administered by CSCDA on the County tax rolls for cities within the County that have entered into a joint powers agreement with CSCDA, in compliance with all applicable laws, to enroll in the CSCDA CaliforniaFIRST PACE Program.
2. Authorize the A-C to negotiate an agreement on the fees charged to place the PACE assessments on the County tax rolls pursuant to Streets and Highways Code Section 5898.20(b) and any subsequent annual agreement thereafter.
3. Upon notification to your Board, delegate authority to the A-C to accept and place all future

residential and commercial PACE assessments, pursuant to Streets and Highways Code Section 5898.30, on the County tax rolls.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

On May 20, 2014 and April 7, 2015, your Board authorized the A-C to place residential PACE assessments administered by the Western Riverside Council of Governments (WRCOG) and California Enterprise Development Authority (CEDA) on the County tax rolls for cities within the County that have entered into a joint powers agreement with WRCOG and CEDA, respectively, in compliance with all applicable laws, to enroll in the WRCOG and CEDA residential PACE Programs. Additionally, on May 28, 2015, the Internal Services Department and the Treasurer and Tax Collector announced the launching of the County Residential PACE Program. Under the County's Residential PACE Program, property owners can select either the Home Energy Renovation Opportunity (HERO) Program or the CaliforniaFIRST PACE Program.

Both the HERO and CaliforniaFIRST Programs are prohibited by County contract from offering their programs outside the County's Residential PACE Program. However, prior to signing their County contract, the CaliforniaFIRST Program was offered by CSCDA, in partnership with Renew Financial, and nine residential property owners in three Los Angeles County cities (i.e., Lancaster, Long Beach, and Commerce) signed up with CSCDA for the CaliforniaFIRST Program. CSCDA has requested the County to execute an agreement governing the placement of the nine PACE assessments for the three cities, the collection of the assessments and transmittal of the assessments to CSCDA, and reimbursement to the County for expenses to administer the PACE assessments. Under AB 811, the County is authorized to place, collect, and remit these assessments to CSCDA.

Streets and Highways Code Section 5898.30 provides that the PACE assessments are collected in the same manner and at the same time as the general taxes of the County on real property. In addition, Streets and Highways Code Section 5898.20(b) authorizes the A-C to negotiate a fee agreement with CSCDA for placing the PACE assessments on the County tax rolls. Approval of this request provides authorization to the A-C to accept the placement of the PACE assessments on the County tax rolls for the cities in the County that have joined the CSCDA CaliforniaFIRST PACE Program and upon notification to your Board, delegated authority for the A-C to execute future agreements with additional PACE Program administrators.

Implementation of Strategic Plan Goals

This action supports Goal 1, Operational Effectiveness, by providing a program that promotes energy efficiency and conservation, and enhances health and sustainable practices in the County.

FISCAL IMPACT/FINANCING

The County's cost to administer the CSCDA PACE assessments will be fully reimbursed under a fee agreement with CSCDA.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

In response to concerns raised by the Federal Housing Finance Agency (FHFA), Senate Bill (SB) 96 directed the California Alternative Energy and Advanced Transportation Financing Authority to develop the PACE Loss Reserve Program (Program) to mitigate the potential risk to mortgage lenders associated with residential PACE financing. The \$10 million Loss Reserve will make first

mortgage lenders whole for any losses in a foreclosure or a forced sale that are attributable to a PACE lien covered under the Program. CaliforniaFIRST participates in the Program.

Streets and Highways Code Section 5898.20 (a)(1) and (2) authorizes a legislative body of any public agency (e.g., county and city) to designate an area which authorizes the public agency officials and property owners to enter into voluntary contractual assessments (i.e., PACE) to finance the installation of distributed generation renewable energy sources or energy or water efficiency improvements that are permanently fixed to real property.

Streets and Highways Code Section 5898.20 (b) further provides that the legislative body must adopt a resolution that includes describing the proposed arrangements for financing the program, including a description of criteria for determining the creditworthiness of a property owner, and holding a public hearing. In addition, the resolution directs the public agency official to negotiate with the County A-C in order to reach an agreement on what additional fees, if any, will be charged to the County for incorporating the PACE assessments. Only three cities within the County joined the CSCDA CaliforniaFIRST PACE Residential Program by adopting the appropriate resolutions.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

There is no impact on current County services or projects.

Respectfully submitted,



JOHN NAIMO

Auditor-Controller

JN:AB:SL

- c: Sachi A. Hamai, Interim Chief Executive Officer
- Mary C. Wickham, Interim County Counsel
- Joseph Kelly, Treasurer and Tax Collector
- Patrick Ogawa, Acting Executive Officer, Board of Supervisors
- Dave Chittenden, Chief Deputy Director, Internal Services Department
- Public Information Office