

REPORT TO THE CITY COUNCIL

City of Salinas, California

DATE: June 9, 2015

FROM: Gary Petersen, Public Works Director

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SUBJECT: THE CALIFORNIA HERO PROGRAM

RECOMMENDATION:

It is recommended that the City Council adopt a resolution authorizing the City's participation in the California HERO Program, which will enable property owners to finance permanently fixed renewable energy, energy and water efficiency improvements and electric vehicle charging infrastructure on their properties.

DISCUSSION:

The California HERO Program is offered in participating cities and counties to allow property owners to finance renewable energy, energy water efficiency improvements and electric vehicle charging infrastructure on their property. If a property owner chooses to participate, the improvements to be installed on such owner's property will be financed by the issuance of bonds by a joint powers authority, Western Riverside Council of Governments ("WRCOG"), secured by a voluntary contractual assessment levied on such owner's property. Participation in the program is 100% voluntary. Property owners who wish to participate in the program agree to repay the money through the voluntary contractual assessment collected together with their property taxes.

The potential benefits to the property owner include:

- Eligibility: In today's economic environment, alternatives for property owners to finance renewable energy/energy efficiency/water efficiency improvements or electric vehicle charging infrastructure may not be available. As such many property owners do not have options available to them to lower their utility bills.
- Savings: Energy prices will continue to rise. Selecting energy efficient, water efficient and renewable energy models would result in lower utility bills.
- 100% voluntary. Property owners can choose to participate in the program at their discretion.
- Payment obligation stays with the property. Under Chapter 29 of Part 3 of Division 7 of the Streets & Highway Code of the State of California, a voluntary contractual assessment stays with the property upon transfer of ownership. Even if there were private enterprise alternatives, most private loans are due on sale of the benefitted property, which makes it difficult for

property owners to match the life of the repayment obligation with the useful life of the financed improvements. Certain mortgage providers will, however, require the assessment be paid off at the time the property is refinanced or sold.

- Prepayment option. The property owner can choose to pay off the assessments at any time, subject to applicable prepayment penalties.
- Customer oriented program. Part of the success of the program has been prompt customer service.

The potential benefits to the City include:

- Increased local jobs.
- An increase in housing prices (higher efficient homes are worth more money).
- An increase in sales, payroll and property tax revenue.
- As in conventional assessment financing, the City is not obligated to repay the bonds or to pay the assessments levied on the participating properties.
- All California HERO Program and assessment administration, bond issuance and bond administration functions are handled by California HERO. Little, if any, City staff time is needed to participate in the California HERO Program.
- The City can provide access for its residents to the California HERO Program without the higher staff costs that an independent program established by the City would require.

The proposed resolution would enable the California HERO Program to be available to owners of property within Salinas to finance renewable energy, energy efficiency and water efficiency improvements and electric vehicle charging infrastructure. The resolution approves an Amendment to the WRCOG Joint Powers Agreement to add Salinas as an Associate Member in order that the California HERO Program may be offered to the owners of property located within the City who wish to participate in the California HERO Program.

ISSUE:

Should the City Council adopt a resolution authorizing the City's participation in the California HERO Program, which will enable property owners to finance permanently fixed renewable energy, energy and water efficiency improvements and electric vehicle charging infrastructure on their properties?

FISCAL IMPACT:

There is no fiscal cost to the City to become a participating city in the California HERO Program. All California HERO Program administrative costs are covered through an initial administrative fee included in the property owner's voluntary contractual assessment and by an annual administrative fee which is collected on the property owner's tax bill.

TIME CONSIDERATIONS:

Benefits of this program become available to property owners at the time a City becomes a participating city. The sooner the City becomes a participating jurisdiction the sooner residents can take advantage of the program's benefits. Other than this timing matter, there are no time constraints to this action.

ALTERNATIVES/IMPLICATIONS:

The Council may choose to reject to participate in the HERO Program. Choosing to not participate in the program would result in residents within Salinas remaining ineligible for the energy financing benefits that the HERO Program affords.

CITY COUNCIL GOALS:

The proposal is consistent with one of the City Council 2013-2015 Five Strategic Goals and Objectives: Economic Diversity and Prosperity.

CONCLUSIONS:

At its June 9, 2014 meeting, the City Council is being asked to adopt a resolution consenting to the inclusion of properties within the City's jurisdiction into the California HERO Program to finance distributed generation renewable energy sources, energy and water efficiency improvements and electric vehicle charging infrastructure and approving an amendment to certain joint powers agreement related thereto.

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