



Memorandum

TO: HONORABLE MAYOR & CITY COUNCIL

FROM: Mayor Chuck Reed
Councilmember Ash Kalra
Councilmember Johnny Khamis
Councilmember Sam Liccardo
Councilmember Donald Rocha

SUBJECT: SEE BELOW

DATE: 11-26-2013

APPROVE

Don Rocha

Chuck Reed

JK

11/26/13

SUBJECT: UPDATE ON PROPERTY ASSESSED CLEAN ENERGY FINANCING PROGRAM DEVELOPMENT

RECOMMENDATION

1. Approve staff recommendation to participate in the Property Assessed Clean Energy (PACE) programs offered through the three existing Joint Powers Authorities.
2. Direct staff to proceed with alternative #4 through an Request For Qualification (RFQ) for a third party administrator to establish a city wide Energy Finance District that would have the following recommended criteria:
 - a. The third party administrator would cover all the costs associated with the establishment of the financing district including legal, finance, and marketing.
 - b. The administrator would have full time staff expertise and additionally cover the expense of the bond counsel.
 - c. The administrator would be required to establish and maintain a local presence within the City of San José; with a storefront, office, and/or demonstration area, in order to assist the consumer or provide education and/or training to the contractors.
 - d. Request terms in any agreement to provide that the City of San José shall have the right to terminate any agreement with a 30 day notice, and not be liable for any costs incurred by the third party administrator should the administrator be found in default of its obligations.
3. Should staff receive only a single qualified proposer; direction is given to enter into exclusive negotiations with the selected proposer and return to council within 150 days for consideration. Should staff receive more than one qualified response, authority is given to determine if any one applicant is more qualified and thus enter into an Exclusive Negotiated Agreement (ENA) and return to council for approval.

BACKGROUND

Green Vision goal #2 is to reduce energy consumption by 50% per capita. To realize this goal the City will need to fully embrace PACE financing to help both residential and commercial property owners secure funding to upgrade their buildings. While the staff analysis notes risks associated with proceeding with residential PACE efforts there has not been a single residential foreclosure within

the past 5 years for unpaid property taxes. San José needs to move forward with a PACE program as energy finance districts are starting to realize success with commercial initiatives, with nearly \$5 million in projects completed to date and over \$90 million in projects in the pipeline.

When developing a PACE program, we must also consider the end-user, the property owners, and contractors. As with any new program, education and marketing are paramount to its success. To present the best possible working model; the City needs a PACE provider with a sound marketing plan, which includes performance goals and a local presence to assist property owners with contracts and a strategy to provide contractors with training and education.

The City of San José can play an active role in enabling the growth of the PACE/ Energy Finance District market by welcoming alternative approaches, as long as they are legally sound. Doing so will maximize choice for property owners, allowing them to select products that best fit their needs. This will, in turn, drive competition, innovation and specialization.