



Information Item

Date: May 27, 2008

To: Mayor and City Council

From: Joan Akins, Acting Director of Environmental and Public Works
Management

Subject: Summary of AB 811 Allowing Cities to Establish Voluntary Energy
Efficiency and Solar Assessment Districts for Property Owners

Introduction

This information item provides additional information in relation to Item 13-B on the April 22 Council agenda. In order to provide all relevant information in one report, this item incorporates additional information on the impacts of AB 811 related to the potential financial impacts of the bill within the Information Item originally released on April 22 and is underlined below. AB 811 (Levine and Beall) is a bill to assist in financing the upfront costs of solar power and other energy efficiency improvements through an existing public improvement assessment program, by authorizing cities and counties to establish assessment districts in order to provide loans to free and willing property owners with long-term repayments added to their annual property taxes bills. If the bill passes, the City could help address the fiscal restraints often experienced by property owners who want to install solar. Establishment of a Solar Santa Monica solar assessment district would accelerate the installation of solar and achievement of the City's energy independence goals.

Background

In 2006, the Legislature approved SB 1 to accelerate the State's use of solar and to implement the California Solar Initiative (CSI), a program to install 3,000 megawatts of solar electricity by 2017. The CSI provides property owners financial incentives to offset the first costs of solar electricity during the early years of the program. The money

available for distribution decreases each year until the funds are exhausted. The goal of the CSI is to help establish the solar industry in California so that when the CSI ends the solar industry can remain cost-effective without the need for government subsidies. While the CSI and other federal subsidies have made solar more affordable, these incentives only offset a portion of the upfront costs of installation. Although solar eventually pays for itself, property owners who want to invest in the technology often cannot afford the high initial cost of a solar photovoltaic system.

Discussion

AB 811 would help finance the upfront costs of solar and other energy efficiency improvements that are permanent fixtures to a property by authorizing cities and counties to establish assessment districts in order to provide loans to property owners with long-term repayments added to their annual property tax bills. Homeowners and small businesses that wish to participate would be required to repay the cost of their project plus their share of the administrative costs the program.

AB 811 was crafted in response to interest shown by the cities of Berkeley and Palm Desert in establishing solar assessment districts. The bill clarifies existing assessment district law to specifically allow energy efficiency and distributed generation renewable energy projects. Berkeley is initiating a Sustainable Energy Financing District program that will finance the capital and installation costs of solar systems for property owners who agree to pay back the loan over a 20 year period. Berkeley is negotiating with a number of banks, including Wells Fargo, Bank of America, and Community by the Bay, and hopes to roll out a program by late summer. It is estimated that the assessment amount would be the equivalent or less than what the property owners would save on their electric bills. The solar system would stay with the property even if the owner sold, and the new owner would assume the assessment's remaining balance. Palm Desert is gearing up a loan program to launch as soon as AB 811 becomes law.

Summary

The Assembly has passed the bill with more than a two-thirds majority vote. The Senate will vote on the bill before the end of this legislative session. If the bill passes and the Governor signs it, AB 811 could become law this summer. Then the City Council must determine whether it is in the public's interest to support establishment of a Solar Santa Monica assessment district. The City would then determine the recommended structure of the district, identify the boundaries of the district, and identify the funding source.

Potential Financial Impacts of AB 811

AB 811 would allow the City to establish an assessment district to facilitate the financing of solar improvements. The assessment district would need to be approved by the property owners. If AB 811 is approved, the specific financing vehicle and details will be fleshed out and discussed with Council at a later date.

Prepared By: Susan Munves, Energy and Green Building Programs Administrator