

..Title

Resolution of Intent to Establish an Energy Financing District and a Property Assessed Clean Energy Program

..Memorandum

This resolution provides notice of the City's intent to establish a Property Assessed Clean Energy (PACE) program, including the setting of boundaries for the PACE financing district, and a date for a public hearing on the program guidelines. The City has consistently provided support for advancing the City's energy efficiency and use of renewable sources of energy in government operations, businesses and residences. This PACE program continues City support and encouragement for the community to become more energy efficient by offering special assessments on commercial and industrial properties for certain energy projects.

Previously, the City Council has acted to support state enabling PACE legislation (Resolution R-10-321), authorized grant funds to be used for program development (Resolution R-09-501), and established a loan loss reserve fund to leverage private funding for PACE projects at a lower interest rate (Resolution R-11-085). The projects may be financed over a longer term, up to 10 years, than typical bank financing.

The attached resolution finds that financing of energy projects is a valid public purpose because it furthers essential public and governmental purposes, including, but not limited to, reduced energy costs, reduced greenhouse gas emissions, economic stimulation and development, improved property valuation, and increased employment.

The PACE program report being noticed in this resolution covers all aspects of the program, as required by Public Act 270 of 2010. The elements of the program covered in the report include: details of financing mechanism; setting of interest rates; assessment process and billing; property and project eligibility; application process; underwriting criteria; and, measurement and verification. The City is seeking comments on all program elements to improve their understandability, ease of use and effectiveness.

Establishment of the PACE program and financing district is a foundational component in the creation of a strong community energy program to meet City Council's Energy Challenge goal of a 8% reduction of community-wide greenhouse gas emissions from 2000 levels by 2015.

..Staff

Prepared By: Andrew Brix, Energy Programs Manager

Reviewed By: Sue F. McCormick, Public Services Administrator

Approved By: Tom Crawford, Interim City Administrator

..Body

Whereas, The City is committed to preserving and improving the City's natural and built environment, protecting the health of its residents and visitors, and fostering its economy;

Whereas, Energy efficiency, solar thermal, and photovoltaic technologies provide citizens with reliable and clean energy, and reduce greenhouse gas emissions and local reliance on imported and non-renewable energy;

Whereas, City Council originally set greenhouse gas emission goals in May 2006, and in Resolution R-11-142 on April 17, 2011 set a new goal of an 8% reduction from 2000 levels by 2015;

Whereas, Existing state and federal incentives for renewable energy and energy efficiency improvements to private property do not fully finance the cost of such improvements;

Whereas, The City of Ann Arbor was selected by the U.S. Department of Energy as a Solar America City committed to implementing solar energy throughout the community by 2015;

Whereas, The U.S. Department of Energy (DOE) awarded the City an Energy Efficiency Conservation Block Grant (EECBG) of \$1,243,400.00, from which funding for this project was appropriated in Resolution R-09-501 on December 21, 2009;

Whereas, The US Department of Energy's eligible measures for EECBG projects include establishing a Property Assessed Clean Energy (PACE) Financing District, a form of Sustainable Energy Financing;

Whereas, City Council approved the use of Energy Efficiency and Conservation Block Grant funds as a loan loss reserve fund in Resolution R-11-085 on March 7, 2011;

Whereas, City Council supported legislative measures which authorize municipalities to establish PACE financing districts in Resolution R-10-321 on September 7, 2010;

Whereas, City Council supported the efforts and activities of the City's Energy Office to promote state enabling legislation and develop a PACE program for the City;

Whereas, the State of Michigan enacted the Property Assessed Clean Energy Act, Public Act 270 of 2010 on December 14, 2010;

Whereas, City Council finds that financing of energy projects is a valid public purpose because it furthers essential public and governmental purposes, including, but not limited to, reduced energy costs, reduced greenhouse gas emissions, economic stimulation and development, improved property valuation, and increased employment;

Whereas, the City intends to raise funds in manners as allowed under Public Act 270 of 2010 that are not general obligations of the City of Ann Arbor and may be repaid by assessments on the property benefited, with the voluntary agreement of the record owners;

Whereas, The PACE program may have several phases depending upon the demand and the source and availability of funds, the financing for Phase I will be in the form of bonds which will have a loan loss reserve of \$432,800.00, the source of which is a portion of the City's Energy Efficiency and Conservation Block Grant;

Whereas, City Council will create an Energy Financing District having the same boundaries as the City's ultimate jurisdictional boundaries;

Whereas, Eligible commercial and industrial properties located within the above stated boundaries may install certain Energy Efficiency Improvements and Renewable Energy Systems and repay the cost through a property assessment;

Whereas, Projects that may be funded and installed include: Installation of insulation; Installation of efficient lighting; Heating, Venting, and Air Conditioning (HVAC); High-efficiency shower/faucet upgrades; Weather sealing, Purchase and installation of Energy Star appliances; Installation of solar powered appliances with improved efficiency; Replacement of doors and windows; Solar electricity/photovoltaic - systems or unit on existing rooftops and parking shade structures sized for the load of the particular building it is installed on, or a 60 KW system or smaller unit installed on the ground within the boundaries of an existing facility; Wind Turbine - 20KW or smaller; Solar Thermal - system 20 KW or smaller; Solar Thermal Hot Water; Ground source heat pump 5.5 ton or smaller, horizontal or vertical ground closed loop system; Combined Heat and Power System - boilers sized appropriately for the buildings in which they are located; Biomass Thermal - 3 MMBTUs per hour or smaller system with appropriate Best Available Control Technologies (BACT) installed and operated;

Whereas, A report, titled "Report on Proposed Property Assessed Clean Energy Program," which meets the requirements of Public Act 270 of 2010, is available for public review at the City Clerk's office, 301 E. Huron St., and on the web at www.a2gov.org/energy <<http://www.a2gov.org/energy>>;

RESOLVED, That City Council will hold a public hearing on October 3, 2010 at Guy Larcom City Hall, City Council Chambers, 2nd floor, at 7:00 PM when the public may comment on the proposed program, including the report.