

2014 Council Study Issue

FIN 14-01 Financing for Energy-Efficiency, Renewable-Energy and Water-Efficiency Improvements on Commercial Properties

Lead Department Department of Finance

Sponsor(s) Sustainability Commission

History 1 year ago: 2 years ago:

1. **Scope of the Study**

a. What are the key elements of the study?

This study would research the feasibility of implementing a financing program in Sunnyvale that would lend businesses money for energy-efficiency, renewable-energy and water-efficiency projects at no up-front cost to the business owner, and then are paid back through a regular payment made to the jurisdiction through utility or property tax bills.

This study would include identification of advantages, disadvantages, administrative requirements and any risks to the City. The study will evaluate organizations that provide turnkey Property Assessed Clean Energy (PACE) financing and also evaluate the possibility of the City acting as the lender. If feasible, this study would include a recommended pathway toward setting up a financing option for Sunnyvale businesses, including a preferred method of financing the loans and any associated costs to the City.

b. What precipitated this study?

This study issue was proposed by the Sustainability Commission. According to the U.S. Environmental Protection Agency, a significant amount of the energy used in commercial buildings is wasted, resulting in higher costs to businesses for energy than necessary.

The upfront investment needed to implement energy, water, and other resource efficiency measures is often cited as the reason more businesses do not pursue these types of improvements despite the potential for long-term financial savings. To overcome the initial investment barrier, some jurisdictions throughout the country and in California have implemented financing programs.

c. Is this a multiple year project? No Planned Completion Year 2014

2. **Fiscal Impact**

a. Cost to Conduct Study

i. Level of staff effort required (opportunity cost)

Major Moderate Minor

ii. Amount of funding above current budget required \$0

Will seek budget supplement Will seek grant funding

iii. Explanation of Cost:

The cost associated with this study is staff time required to research and evaluate the options and fiscal impacts of a financing program.

b. Costs to Implement Study Results

- No cost to implement.
- Unknown. Study would include assessment of potential costs.
- Some cost to implement.

Explanation: Providing financing through the City would require significant upfront capital provided by the City. Like all loan programs, there is a level of risk involved with repayment and possible default that the City would need to evaluate as part of the study. Further, it is anticipated that there will be additional costs associated with administering the program, including significant staff time.

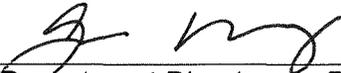
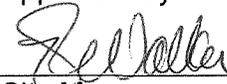
3. **Expected participation in the process**

- Council-approved work plan
- Council Study Session
- Board/Commission Review by: Sustainability Commission

4. **Staff Recommendation**

a. Position: Drop

b. Explanation: Staff recommends dropping this study issue. PACE programming is identified as a potential action in the draft Climate Action Plan and may be considered after Council consideration of the draft Climate Action Plan. Additionally, this type of financing is outside the City's core service scope, would require that significant upfront capital be provided by the City, and creates an unnecessary level of financial risk.

Reviewed By:	Approved By:
	
Date 10/29/13	Date 11-4-13
Department Director	City Manager