

Berkeley FIRST - Financing Initiative for Solar and Renewable Technology

July 2008

Projected Timeline of Pilot Program:

- The Berkeley FIRST pilot program is projected to roll out in the Fall of 2008 (contingent on securing of our financing partner)
- The pilot project will include approximately 50 homes
- Please see the message below for much more detail on the upcoming phases of this innovative program
- For more information please contact us at mayor@ci.berkeley.ca.us

Project Overview:

Berkeley FIRST Summary

On November 6, 2007 the City Council approved the concept of the "Sustainable Energy Financing District" by which the City would help property owners to finance solar installations and energy efficiency improvements by creating a voluntary assessment that is paid via their individual property tax bills over a period of 20 years. Availability of state and federal subsidies make installation of solar electric and solar thermal systems cost effective for many residential and commercial property owners. However, for many, barriers to installation remain, particularly the high upfront cost and other financial hurdles. The "Sustainable Energy Financing District" has been developed to address those barriers.

A full description of the Berkeley program, including a list of Frequently Asked Questions, is available on the City's website.

The UC Berkeley Renewable and Appropriate Energy Laboratory (RAEL) and Build it Green are partnering with the City of Berkeley FIRST development.

Detailed Overview/Next Steps:

Process and Timeline for Implementation

Berkeley FIRST was first announced in concept in October of 2007. In November 2007, the Berkeley City Council gave unanimous approval to develop the concept into an implementation plan. At that time, staff announced an effort to have

the "pilot" phase of the program in place in the late summer or fall of 2008.

On May 6, 2008 the City Council approved an amendment to the Berkeley Municipal Code (BMC) and created the Special Tax Financing Law (new BMC Chapter 7.98). The Special Tax Financing Law was created under the City's Charter authority and incorporates by reference the provisions of the State Mello-Roos Act. It includes the legal authority to finance solar and energy efficiency improvements for private property. The Special Tax Financing Law is the implementing legislation that allows for the creation of the Sustainable Energy Financing District.

We are still on target for a summer/fall 2008 pilot program roll-out, and staff are continue to have very promising negotiations with possible financial partners on financing terms and other logistics.

Next Steps – Council Action

On July 22nd the Berkeley City Council will consider adopting a Resolution of Intention to Form the special tax district and to set a public hearing on that formation. Staff is recommending that the public hearing be scheduled for September 16, 2008.

At the same time as the Council adopts the Resolution of Intention to Form the District, the Council will also consider whether to adopt a Resolution of Intention to Incur Bonded Indebtedness. This resolution sets forth the maximum amount of bonded debt to be incurred for the special tax district and calls for a public hearing that will be held at the same time as the public hearing on the formation of the district (proposed for September 16, 2008). This action would allow bonds to be issued which would be secured by the taxes paid by property owners participating in the Sustainable Energy Financing District.

The final item to be addressed by City Council on July 22 is the Local Goals and Policies for the Sustainable Energy Financing District. These goals and policies provide the general framework for administering the special tax district.

Next Steps – Administrative

Once the program has received all of its legislative approvals and financing has been arranged, the next step will be to implement a pilot project for as many properties as the funding source can support. For example, if the financial partner is able to provide \$1 million in funding, and the average cost of a solar installation project is \$20,000, that funding could support 50 participants in the pilot program. Once the pilot is complete, staff and the project team will then evaluate the program and determine whether it needs any modifications prior to bringing it to the community on a larger scale. Over the next several weeks staff will be working on various program details including the application process, program participation qualifications, how the funds are drawn down, and when the installers get paid.

Next Steps – Financing

Staff and the City's consultants continue to meet with banks and investment groups that have expressed interest in the program. One of the challenges has been to create a financing structure that yields revenue sufficient to fund the installations as well as the program's administrative costs, while at the same time remaining competitive in terms of overall interest rates with other available funding mechanisms for solar installation. As of the date of this report, staff is still working with several institutions to try to reach acceptable terms that meet all of these interests. Staff remains confident that we will identify and reach tentative agreement with a lender, especially because the special tax lien that is

created by the Sustainable Energy Financing District -- like the lien of the 1% ad valorem property tax -- is superior to private liens on property, including mortgages; in other words, it is a "super-lien" that should be extremely attractive to most investors.

Is there a List for Interested Homeowners?

There is no wait list or sign-up for interested homeowners yet. The application process is currently under development and details should be released publicly soon after Labor Day.

Is there a List for Interested Vendors?

There is no wait list or sign-up for installers. Any licensed solar installer registered with the California Solar Initiative (CSI) will be considered for this program. The homeowner will be responsible for selecting his or her own contractor, as long as that contractor is registered with CSI.

Project Team

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Thank you again for your interest in this program and we look forward to rolling out this program and working with you in the future.