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OAKLAND

# CITY OF OAKLAND

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## AGENDA REPORT

TO: Office of the City Administrator  
ATTN: Dan Lindheim  
FROM: Public Works Agency  
DATE: November 10, 2009

RE: **Report And Recommendation On The California Energy Commission, State Energy Program Funding Under The American Recovery And Reinvestment Act (Federal Government's "Stimulus Package").**

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### SUMMARY

This report recommends that City Council endorse applications to the California Energy Commission's (CEC's) State Energy Program (SEP) funding opportunities that will benefit Oakland. Each of these opportunities is funded by the American Recovery and Reinvestment Act of 2009 (ARRA), the Federal Government's "Stimulus Package".

The CEC released three solicitations under the SEP program in October 2009, with proposals due by November 30, 2009. These programs collectively offer opportunities to pursue funding that will enable energy efficiency improvements to Oakland's residential, commercial, industrial and municipal building stock.

Given the timing, technology emphasis, size, scope, potential for collaboration and job creation, and other factors associated with these funding opportunities, the best path forward for Oakland is to pursue each opportunity in collaboration with other partners. In each case, other partners would serve as the prime applicant and would ensure delivery of services that benefit Oakland. Staff has held preliminary discussions with potential partners about each opportunity and recommends the City Council endorse Oakland's participation in several collaborative proposals.

At this time, staff does not anticipate that any awarded funds resulting from these proposals would be directly appropriated to the City.

### FISCAL IMPACT

This report has no anticipated fiscal impact on the City. If, in final form, any of these proposals result in funds being awarded or otherwise directed to the City, a resolution will be prepared to accept and appropriate funds.

### BACKGROUND

The U.S. Department of Energy allocated \$226 million in Federal Government Stimulus Package funding to the CEC for the SEP. State law authorizes the CEC to use these SEP funds for energy

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efficiency, energy conservation, renewable energy, and other energy related projects and activities authorized by the Federal Government's Stimulus Package. Among other SEP funding opportunities, the Energy Commission released three solicitations on October 8, 2009, in the following program areas:<sup>1</sup>

1. Municipal Financing Program ("AB 811 type programs").
2. California Comprehensive Residential Building Retrofit Program
3. Municipal and Commercial Building Targeted Measure Retrofit Program

A total of up to \$95 million of ARRA SEP funds will be awarded through a combination of the three solicitations. To be considered for funding, each proposal may request no more than \$20 million and no less than \$2 million from a given solicitation. Entities may submit proposals to multiple RFPs (Requests for Proposals). The CEC has reserved complete flexibility in how much of the total \$95 million will be awarded within each of the three solicitation areas. Applicants must submit a Notice of Intent by October 30, 2009, and completed proposals by November 30, 2009.

#### SEP 1 – Municipal Financing Program

Funds awarded through this RFP will be directed to establishing and/or continuing city-, county-, or region-wide financing programs to implement energy retrofits in existing residential, commercial and industrial buildings. These financing programs will allow property owners to enter into contractual assessments to finance the installation of energy efficiency or distributed renewable energy generation improvements that are permanently fixed to residential (including multi-family), commercial, industrial, or other real property. Under these municipal financing programs property owners repay the assessments with their property taxes; and the liens associated with the assessments are given priority over previously-recorded private liens (such as a mortgage).

Cities, counties, or groups of cities and counties that are in the process of establishing or have already established a municipal energy financing program are eligible to apply under this program. The CEC encourages collaboration among communities, on a county-by-county basis, or through a joint powers authority, to create a larger and more effective municipal financing program.

Proposers are encouraged to request SEP funds to lessen the financial burden they face in creating and administering municipal financing programs, to increase lender confidence, and to lower interest rates and increase bond ratings to make financing attractive to property owners. Proposed programs must require and offer financing for, and also may incentivize, the installation of energy efficiency improvements as a condition of financing on-site solar electric

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<sup>1</sup> Links to all three solicitations can be found at <http://www.energy.ca.gov/contracts/recovery.html>.

(photovoltaic) generation or other on-site renewable energy generation. Energy audits and building commissioning will be necessary program components.

### SEP 2 – California Comprehensive Residential Building Retrofit Program

Funds awarded through this solicitation will be directed to establishing comprehensive regional programs to implement energy retrofits in existing residential buildings. The CEC expects to enter into contracts with regional consortia of local government agencies, utilities, community colleges, national and state energy programs, affordable housing programs, and private and public energy and building contracting experts. The CEC anticipates that proposed programs will have a government agency as the prime contractor, ensuring a high level of local commitment to actively pursue the proposed program as a regional priority.

The California Comprehensive Residential Building Retrofit Program encourages a three tiered delivery approach, enabling the use of 1) entry level labor, 2) single trade contractors with limited training in energy efficiency retrofits, and 3) training and support to develop a highly skilled workforce that will enable the transition to whole-house, deep saving retrofits. The three program delivery tiers are:

#### *Simple Checklist Approaches:*

- 1) First Tier – Low-cost items that can be determined through visual inspection by a minimally trained person (low savings per home);
- 2) Second Tier – Measures that require installation by a specialty contractor (e.g., HVAC or Insulation Contractor) who can be trained in a short time to provide quality installation of measures within the scope of their specialty contractor license;

#### *Whole-house Retrofits Approach:*

- 3) Third Tier – Home Energy Rating System (HERS) II Rater based approach with Raters and building performance contractors trained to accomplish deeper, comprehensive retrofits (high savings per home).

Proposers are encouraged to develop Third Tier approaches as a fundamental program element, with First and Second Tier approaches being optional, and to include a strategy for program transition toward Third Tier approaches. Proposers are encouraged to provide: outreach to residential property owners; workforce development appropriate to each tier of program delivery; coordination with existing financing opportunities; performance verification systems; and co-funding of incentives to seed self-sustaining programs. Proposed programs are also encouraged to include deploying re-trained construction workers and contractors and youth entering the job market. In addition to pursuing energy retrofits in market-rate housing, proposed programs are encouraged to coordinate with and leverage affordable housing and neighborhood stabilization programs to bring the advantages of energy efficient housing to under-served, economically disadvantaged populations.

### SEP 3 – Municipal and Commercial Building Targeted Measure Retrofit Program

Funds awarded through this solicitation will be directed to advanced energy efficiency retrofit opportunities in non-residential buildings. The Municipal and Commercial Building Targeted Measure Retrofit (MCR) program focuses on achieving significant energy savings from targeted retrofit measures where opportunities exist in large numbers across the state's municipal and commercial building sectors. Public, nonprofit or private organizations are eligible to apply to the MCR program. The proposer is expected to partner with public and/or private entities to implement the program.

MCR program funds can be used to create new or to supplement existing efficiency incentive programs, provide match funding for other Stimulus Package program areas, establish volume purchasing mechanisms, develop audit and retrofit training programs, deploy marketing campaigns and/or complete the technology retrofits. The program specifically targets advanced energy equipment such as lighting controls and fixtures, plus heating, ventilation and air conditioning controls. This is not a comprehensive retrofit program that considers all cost-effective retrofit measures for each specific building application. The focus of the MCR program is to capitalize on low risk, high return efficiency opportunities that are readily available throughout the state.

### **KEY ISSUES AND IMPACTS**

Significant potential exists to improve energy efficiency within Oakland's existing residential, commercial and municipal building stock, and to create local green jobs associated with these retrofit projects. The SEP solicitations offer opportunities to pursue funding for energy efficiency improvements to each of these components of Oakland's building stock. Given the brief timeframe for developing proposals in response to these solicitations and the CEC's emphasis on regional collaboration, some program details have yet to be defined as of the time of this writing.

### SEP 1 – Municipal Financing Program

As of the time of this writing, the City of Oakland has an opportunity to participate in multiple regional proposals in response to this solicitation with the potential to benefit Oakland.

First, the California Statewide Communities Development Authority (CSCDA) is developing a proposal to launch a program through which property-assisted financing for energy improvements would be made available on a pilot basis to certain jurisdictions throughout the state. CSCDA is a joint powers authority sponsored by the California State Association of Counties and the League of California Cities that provides local governments and private entities access to low-cost, tax-exempt financing for projects that provide a tangible public benefit, contribute to social and economic growth and improve the overall quality of life in local communities throughout California. Alameda County and its member jurisdictions expect to be

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included in the CSCDA pilot program and Oakland residents and businesses would become eligible to take advantage of property-assisted financing for energy improvement projects as a result of this proposal being funded.

Oakland property owners would be able to enter into contractual assessments to finance the installation of certain energy efficiency or renewable energy generation improvements (e.g., solar panels), repaid through property tax assessments. CSCDA will most likely be proposing that SEP funds be provided to reduce fixed costs associated with bond issuance and setup fees as well as for an interest rate buy-down to make the program more attractive to property owners. A sample resolution will be distributed by CSCDA in early November that the City will need to adopt to indicate its interest in joining this pilot financing program. CSCDA requires that cities wishing to participate provide a resolution by December 18, 2009.

Second, Alameda County is developing a complementary proposal that would augment this financing program within Alameda County; providing support for enhanced program services and components such as marketing and outreach and quality assurance. Alameda County has invested significant time developing a program plan for implementation of such a financing program at the County level, presenting an opportunity for the City to leverage this work. Many programmatic functions can be shared to achieve a greater level of cost-effectiveness when performed at the countywide level, reducing program costs to participating Oakland property owners. At the time of this writing it is unclear whether Alameda County plans to submit this proposal on its own or in collaboration with other counties that may also be ready to implement similar program enhancements. Staff is participating with CSCDA and Alameda County representatives in shaping these proposals.

It is recommended that Oakland participate in these collaborative approaches given the regional emphasis of the program solicitation and benefit from leveraging in program design and delivery.

#### SEP 2 – California Comprehensive Residential Building Retrofit Program

The City of Oakland has an opportunity to participate in a response to this solicitation with other Bay Area jurisdictions under the regional leadership of the Association of Bay Area Governments (ABAG). This program would help residential property owners in Oakland and throughout the Bay Area improve the energy efficiency of their homes; provide guidance and technical assistance; develop green construction standards; grow, train and certify a workforce capable of delivering residential energy retrofits; implement performance verification protocols; and possibly offer additional incentives. Associated energy retrofit work would help create and retain local green jobs.

Within the proposal, ABAG is including shared regional program elements and county-specific components that will allow each county to optimize local program design and delivery. Several program elements (e.g., development of green construction standards, contractor training

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programs, performance verification protocols, marketing collateral) could be proposed for regional development, where greater cost-effectiveness can be achieved. Other program elements (e.g., certification of contractors, delivery of contractor training, alignment with job training programs) could be tailored on a county-by-county basis. StopWaste.Org is leading the development of the Alameda countywide chapter of this proposal. Details on how this program would operate will become available as the program is developed. Oakland staff is participating with StopWaste.Org and ABAG representatives in the development of this proposal.

*It is recommended that Oakland participate in this collaborative approach given the regional emphasis of the program solicitation and potential for collaboration and leveraging in program design and delivery.*

### SEP 3 – Municipal and Commercial Building Targeted Measure Retrofit Program

As of the time of this writing, the City of Oakland has an opportunity to participate with multiple proposals that would drive energy efficiency improvements in Oakland's existing municipal and commercial building stock.

The City was approached by Quantum Energy Services and Technologies (QuEST) to participate in a proposal to drive installation of advanced lighting and controls technology in Oakland's downtown commercial buildings. This program would focus on Oakland and involve a variety of local program partners. The program would provide outreach, technical assistance, and incentives to help downtown Oakland commercial property owners implement energy retrofits and achieve cost savings and quality of life improvements. This application is the City's best opportunity to foster job creation and support local green jobs training programs within Oakland.

QuEST is leading a team that includes KEMA Services Inc., an energy firm with 150 employees in its Oakland offices. QuEST already provides energy efficiency services to Oakland through the East Bay Energy Watch and PG&E's Building Tune-Up program, assisting large commercial customers in Oakland with energy efficiency improvements since 2002. KEMA provides contractor-oriented energy efficiency services in the East Bay and has experience rapidly deploying programs that exceed energy savings targets. This team is well positioned to coordinate program delivery with other programs serving downtown Oakland.

In addition, the City of Oakland has an opportunity to participate in a proposal being developed by Oakland-based Energy Solutions, which would provide technical assistance and incentives for several municipalities to improve the energy efficiency of municipal facilities. For Oakland, this program would target municipal energy efficiency retrofit opportunities, primarily focused on advanced lighting, heating, cooling and ventilation technologies. This proposal would enable Energy Solutions to offer significant technical assistance and the potential to offer financial incentives to help the City implement advanced energy retrofits. This effort would leverage previous research and analysis by Energy Solutions under the ABAG Energy Watch Program,

which ranked energy retrofit opportunities for the City's larger facilities. Energy Solutions employs approximately 60 people in Oakland and has a lengthy record of designing and delivering energy efficiency programs for utilities and other clients nationwide.

Staff is participating with KEMA and Energy Solutions in the development of these proposals.

### **SUSTAINABLE OPPORTUNITIES**

Economic: Projects that could be funded as a result of these proposals would result in significant long-term energy cost savings to Oakland residents and businesses.

Environmental: These funding opportunities align with the City's ongoing efforts to reduce energy consumption, greenhouse gas emissions and other air pollutants.

Social Equity: Projects that could be funded as a result of these proposals would help to create and retain jobs for Oakland residents and help create new contracting opportunities.

### **DISABILITY AND SENIOR CITIZEN ACCESS**

This report and resolution will not have any direct impact on access for persons with disabilities or senior citizens.

### **RECOMMENDATION AND RATIONALE**

Given the timing, technology emphasis, size, scope, potential for collaboration and job creation, and other factors associated with these funding opportunities, the best path forward for Oakland on the SEP grants is to pursue collaborative partnerships. Oakland has an opportunity to leverage the capacity and leadership of other organizations that have chosen to develop proposals offering partnership opportunities for Oakland. These collaborative opportunities represent Oakland's best chance to be part of competitive proposals with the potential to secure funding that would benefit Oakland residents and businesses. It is recommended the City Council endorse Oakland's participation in each of the three SEP funding opportunities.

A separate report and resolution will be prepared to authorize Oakland to participate in a pilot property-assisted clean energy financing program with CSCDA.

Should they be funded, these proposals collectively will help to address several needs in Oakland:

1. Create and retain jobs;
2. Deliver significant energy savings in Oakland;
3. Reduce energy costs for Oakland property owners and tenants;
4. Assist Oakland property owners in improving the quality of their properties; and,
5. Create additional community economic and quality of life improvements.


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Projects funded by these proposals will help connect green jobs to green development in Oakland, and will support the City's ongoing sustainability, climate action and energy efficiency work (e.g., Energy and Climate Action Planning, green building requirements). Staff will continue to develop partnerships and seek funds from various sources to meet the City's goals.

**ACTION REQUESTED OF THE CITY COUNCIL**

It is recommended that the City Council endorse Oakland's participation on the most appropriate proposal opportunities to the California Energy Commission's State Energy Program funding opportunities as described in this report.

Respectfully submitted,

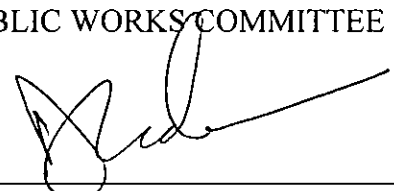
  
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APPROVED AND FORWARDED TO THE  
PUBLIC WORKS COMMITTEE

  
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