



AGENDA REPORT


TO: Jestin D. Johnson
City Administrator

FROM: Joe DeVries
Deputy City Administrator

SUBJECT: Master Site License Agreement for
Solar And Battery Energy Systems At
Critical Municipal Facilities

DATE: October 30, 2024

City Administrator Approval


Jestin Johnson (Nov 21, 2024 22:24 PST)

Date: Nov 21, 2024

RECOMMENDATION

Staff Recommends That City Council Adopt An Ordinance:

(1) Authorizing The City Administrator To Negotiate And Execute With Ava Community Energy (AVA), A California Not-For-Profit Joint Powers Authority (JPA), A Master Site License Agreement To Install, Operate, and Maintain Photovoltaic Solar and Battery Energy Storage Projects For A Commercial Operation Term Of Twenty-Five (25) Years Each Not To Exceed December 31, 2052, At A Rate Of Zero Dollars (\$0.00) Per Year And Subject To Potential Early Termination Damages For The Following Ten (10)

Municipal Facilities:

- A. Oakland Ice Center At 519 18th Street;**
- B. Oakland Municipal Services Center At 7101 Edgewater Drive;**
- C. East Oakland Sports Center At 9161 Edes Avenue;**
- D. 81st Avenue public library At 1021 81st Avenue;**
- E. Main Public Library At 125 14th Street;**
- F. Fire Station No. 1 At 1603 Martin Luther King Jr Way;**
- G. Fire Station No. 3 At 1445 14th Street;**
- H. Fire Station No. 15 At 455 27th Street;**
- I. Fire Station No. 17 At 3344 High Street; and**
- J. Fire Station No. 20 At 1401 98th Avenue;**

(2) Making Findings That the Licenses For A Below Fair Market Value Are In the Best Interests Of The City; and

(3) Adopting Appropriate California Environmental Quality Act (CEQA) Findings

Oakland City Council
December 3, 2024

EXECUTIVE SUMMARY

Ava Community Energy (Ava), Oakland's local electricity generation provider, has the primary objectives of providing its member agencies with local energy control and oversight, providing cleaner electricity at competitive rates, driving investment in renewable energy, and improving the resilience of local communities. With these objectives in mind, Ava is offering its Joint Powers Authority (JPA) members, including the City of Oakland (City), the opportunity to participate in a new procurement program, the Critical Municipal Facilities Procurement Program (Program), to deploy solar and battery energy storage systems at critical municipal facilities. City staff have been working with Ava to prepare plans and agreements for the installation of solar and batteries at the following ten (10) identified City facilities:

- A. Oakland Ice Center At 519 18th Street;
- B. Oakland Municipal Services Center At 7101 Edgewater Drive;
- C. East Oakland Sports Center At 9161 Edes Avenue;
- D. 81st Avenue public library At 1021 81st Avenue;
- E. Main Public Library At 125 14th Street;
- F. Fire Station No. 1 At 1603 Martin Luther King Jr Way;
- G. Fire Station No. 3 At 1445 14th Street;
- H. Fire Station No. 15 At 455 27th Street;
- I. Fire Station No. 17 At 3344 High Street; and
- J. Fire Station No. 20 At 1401 98th Avenue;

The installations would be financed through a Power Purchase Agreement (PPA) between the City and Ava Community Energy. The PPA would allow a third-party developer to own, operate, and maintain the generating equipment and the City would agree to host the systems and purchase the electric output for 25 years. When the 25-year term ends, the City may choose to negotiate a new agreement or request that the systems are removed by the solar developer. Participating in this opportunity would advance Oakland's climate and resilience goals, provide utility cost stability, and ensure that more of Oakland's critical facilities are prepared for PG&E Public Safety Power Shutoff events, rolling blackouts, and other potential power outages such as those caused by disasters such as heat waves, fires, and earthquakes.

Staff recommends that the City Council authorize the City Administrator to negotiate and execute a Master Site License Agreement which will grant Ava limited property rights that guarantee access to the rooftop solar and associated battery infrastructure on these City owned or City controlled properties for a commercial operation term of 25 years. This may preclude development of all or portions of the properties during that time period. The facilities to be included are:

BACKGROUND / LEGISLATIVE HISTORY

Solar and battery energy storage systems provide clean, renewable electricity to buildings and can reduce time-of-use energy costs during peak pricing periods. In addition, the storage systems create resilience benefits, allowing critical facilities to continue to operate on a limited basis during a power outage using clean electricity stored and generated onsite, reducing dependency on backup diesel generators for back-up power. Deployment of solar and battery energy storage systems at critical municipal facilities aligns with the City's greenhouse gas emissions reductions goals and resilience goals as set forth in its Equitable Climate Action Plan. It also supports Oakland's emergency response programs.

The City of Oakland has installed relatively few solar systems on municipal buildings due to high up-front costs and maintenance needs. In 2005, the City installed a 372 kilowatt (kW) system atop the Oakland Ice Center and a 760 kW system atop the Municipal Service Center in the Coliseum Business Park. These systems are owned and operated by the City and require a large amount of money up front. Other ways of managing costs can include using a PPA, whereby a third party owns and maintains the systems and the City just pays for the energy generated by the systems at a pre-negotiated price, which is less than the price of grid-based electricity supplied by the utility.

East Bay Community Energy (EBCE), formed in 2016 as a JPA to provide cleaner, greener energy at lower rates to Alameda County customers (EBCE was renamed Ava Community Energy beginning in 2023). Ava started providing electricity to commercial and municipal accounts in June 2018 and residential customers in November 2018. In July 2018, the Ava Board of Directors, which includes Oakland City Council Member Dan Kalb, approved a Local Development Business Plan (LDBP) identifying several strategies to direct investments throughout Alameda County to build renewable energy generation, create local jobs, and help member cities reduce greenhouse gas (GHG) emissions. Ava has since expanded to include communities in San Joaquin County.

As part of its LDBP implementation efforts, Ava collaborated with its JPA members, including the City, to identify a cost-effective portfolio of solar and battery energy storage projects for municipal buildings. Under the Program, Ava provided an upfront assessment of municipal facilities by an independent engineer (hired by Ava) to identify potential roof, structural or electrical capacity upgrades that might be required to install solar and storage systems and act as the counterparty for a standardized PPA contract between a PPA vendor and its JPA partner municipalities. Compared to a traditional PPA where the City conducts its own procurement and holds a contract directly with the PPA provider, Ava would represent multiple jurisdictions and a large portfolio to streamline the procurement process, reduce risk, and bring down costs.

Ava issued a Request for Offers (RFO) on July 31, 2023 to solicit proposals to deliver cost effective solar + storage PPAs for the Critical Municipal Facilities Program for the eight cities. After reviewing bids and interviewing respondents, Ava selected Green Bridge Energy as the

project owner and contractual counterparty. Green Bridge Energy has in turn selected Gridscape Solutions as its developer. Gridscape is located in Fremont and has extensive experience developing solar + storage microgrids for public agencies including the City of Fremont.

In 2022, Ava requested that agencies interested in participating in the Program adopt a resolution indicating intent to evaluate the procurement of solar and battery storage at municipal facilities. Oakland approved Resolution [89536 C.M.S](#) and joined seven other member agencies (Berkeley, Emeryville, Fremont, Hayward, Livermore, and San Leandro) in participating in the program.

On November 12, 2024, City Council is scheduled to consider adoption of a Resolution authorizing the City Administrator to negotiate and enter into a PPA with Ava for the deployment of solar and battery energy systems at critical municipal facilities.

The Critical Municipal Facilities PPA offer for the City of Oakland would include installation of solar panels and battery storage systems at up to ten (10) different sites. These systems will generate approximately 1,615 kW of solar power and store up to 3,096 kWh of energy in rechargeable batteries. The PPA would be for a 25-year term.

Site	Solar Capacity (kW DC)	Battery Storage (kWh)	OakDOT Geographic Equity Priority
Oakland Ice Center	381.2	928.8	High
Oakland Municipal Service Center	316.05	464.4	High
East Oakland Sports Center	541.5	1083.6	High
Oakland Public Library: 81st St Branch	106.3	154.8	Highest
Oakland Fire Station 3	52.92	77.4	Medium/Highest
Oakland Fire Station 17	36.75	77.4	Low/Medium
Oakland Fire Station 15	52.92	77.4	Medium
Oakland Fire Station 20	36.75	77.4	Highest
Oakland Public Library - Main	37.73	77.4	Medium

Oakland Fire Station #1	53.41	77.4	Medium/High
<i>Total</i>	<i>1,615</i>	<i>3,096</i>	

Figure 1: Critical Municipal Facilities Proposed PPA Sites

The City leases the Oakland Municipal Service Center from the Port of Oakland and the 81st St branch library from Oakland Unified School District. The terms of each lease will need to be extended through at least 2052 to facilitate the required 25-year operating term for the Program. The City Administrator has authority to extend these two below market leases with the Port and OUSD respectively because the current below market rent paid by the City for each lease does not exceed One Hundred Thousand Dollars (\$100,000) over the term including extensions, pursuant to the Section 2.41.050 of the Oakland Municipal Code. These sites would not be included in the PPA or Master Site License Agreement if lease amendments for these extensions are not feasible. Additionally, staff are underway planning for long-term capital improvements and a renewed management plan for the Ice Center, and this facility would not be included in the Program if a 25-year term for this location is uncertain.

The City and Ava selected these sites through a process that balanced critical functions, equity metrics, building conditions, and space for rooftop solar. The City identified municipal buildings that had infrastructure in place to support solar panels, projects identified as potential resilience hubs, and facilities that were critical to emergency operations. Each of these potential facilities was evaluated using the Oakland Department of Transportation’s Geographic Equity Toolbox. This tool assigns each census tract in Oakland a level of priority in from lowest to highest, determined by seven demographic factors: 1) People of Color [25% of score], 2) Low-Income Households (<50% Area Median Income) [25% of score], 3) People with Disability [10% of score], 4) Seniors 65 Years and Over [10% of score], 5) Single Parent Families [10% of score], 6) Severely Rent-Burdened Households [10% of score], and 7) Low Educational Attainment (less than a bachelor's degree) [10% of score]. Priority was assigned to buildings that fell within the higher priority census tracts, according to the Toolbox. Ava’s engineering team then evaluated the list of potential buildings for their suitability for solar panels and backup power and found that the buildings listed in **Figure 1** were feasible. City staff accompanied the Ava team on site visits to verify feasibility and review designs.

To participate in this program, the City and Ava would need to enter into a master site license agreement with Ava, which would grant Ava limited property rights to guarantee access to the rooftop solar and associated battery infrastructure for the 25-year operating term. Section 219(6) of the City Charter states that the license or lease of City-owned real property by the City for longer than one year must be authorized by an ordinance enacted by the City Council pursuant to Oakland Municipal Code Section (OMC) 2.42.100.

Pursuant to OMC Section 2.42.110, City-owned real property must be licensed or leased for a rent or fee, payable in cash or other consideration, equal to or exceeding the property's fair market value, unless the City Council determines that the license or lease of the property for less than its fair market value is in the best interest of the City. Staff recommends that the City Council making a finding and determination that the license of the ten (10) identified municipal facilities for less than its fair market rental value is in the best interests of the City pursuant to OMC Section 2.42.110.C.5, for the following reasons:

- (1) Ava will install, operate, and maintain photovoltaic solar projects and battery energy storage projects at no cost to the City and would otherwise cost the City approximately \$1.59 million dollars per location or approximately \$14.3 million dollars total;
- (2) Ava will strive to create work development opportunities for Alameda County and San Joaquin County residents and small local businesses;
- (3) Installing solar and battery energy storage will contribute to the City's energy resiliency provide backup power at these buildings that are critical to City functions; and
- (4) Providing solar and battery energy storage in Oakland will advance the City's 2030 Equitable Climate Action Plan and the State's climate goals by lowering emissions for City operations.

The commercial operation term of the master site license agreement will be 25 years to match the term length of the PPA and include the following sites

- A. Oakland Ice Center At 519 18th Street;
- B. Oakland Municipal Services Center At 7101 Edgewater Drive;
- C. East Oakland Sports Center At 9161 Edes Avenue;
- D. 81st Avenue public library At 1021 81st Avenue;
- E. Main Public Library At 125 14th Street;
- F. Fire Station No. 1 At 1603 Martin Luther King Jr Way;
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Pursuant to Section 4217.12 of the Government Code, regarding energy conservation contracts, the City "may enter into a an energy service contract and any necessarily related facility ground lease on terms that its governing body determines are in the best interests of the public agency if the determination is made at a regularly scheduled public hearing, public notice of which is given at least two weeks in advance, and if the governing body finds: (1) That the anticipated cost to the public agency for thermal or electrical energy or conservation services provided by the energy conservation facility under the contract will be less than the anticipated marginal cost to the public agency of thermal, electrical, or other energy that would have been consumed by the public agency in the absence of those purchases; (2) That the difference, if any, between the fair rental value for the real property subject to the facility ground lease and the agreed rent,

is anticipated to be offset by below-market energy purchases or other benefits provided under the energy service contract.” Here, Ava proposes to install, operate, and maintain photovoltaic solar projects and battery energy storage projects at no cost to the City and would otherwise cost the City approximately \$1.59 million dollars per location or approximately \$14.3 million dollars total. The proposed partnership with Ava would enable the City to lock in a lower 2.5% annual cost of electricity increase for energy generated by the projects, compared to the more expensive 4.5% historical inflation rate on electricity costs.. The proposed energy conservation facilities would improve the City’s resilience of critical municipal facilities.

ANALYSIS AND POLICY ALTERNATIVES

The Ava Program provides the City with an opportunity to receive distributed energy systems at a number of public facilities with the goals of further reducing greenhouse gas emissions and utility bills as well as increasing the City’s energy resiliency. If the Program is successful in generating cost-effective bids for new solar and battery energy storage systems, it will advance Oakland’s goals of creating resilience hubs and reducing its GHG footprint. The first round of installation would occur in late 2025 and will be coordinated with Oakland Public Works (OPW) and on-site department staff so that operations are not disrupted.

An alternative strategy to increase energy resilience at City facilities is to pursue the purchase of solar panels and battery storage on a case-by-case basis as part of the City’s Capital Improvement Program. This strategy would require significant up-front capital funding. It would also require additional support and training for the City’s Public Works team related to the maintenance of solar panels and batteries. This alternative strategy would likely result in fewer facilities being outfitted with solar panels and batteries. The Oakland Public Works staff would also be required to remove equipment at the end of its useful life. Under the Ava Program, a third party would be responsible for the equipment removal.

The proposed ordinance supports several citywide priorities. Providing backup power in community facilities during emergencies supports the priority of **holistic community safety** by allowing residents to charge their electronic devices, refrigerate medicines, and access information. The clean energy generated by solar panels at City facilities supports the priority of **sustainable infrastructure**. The Program will allow the community to rely on trusted city facilities during power outages and emergencies, supporting the priority of **responsive, trustworthy government**.

FISCAL IMPACT

The Master Site License Agreement would have no impact on the City’s budget. The fair market value of the City’s real property rights for rooftop access for photovoltaic solar projects and associated battery storage is greatly outweighed by the estimated value of Ava’s proposed installation, operation, and maintenance of photovoltaic solar projects, which is valued at

approximately \$14.3 million dollars. The The proposed partnership with Ava would enable the City to lock in a lower 2.5% annual cost of electricity increase for energy generated by the projects, compared to the more expensive 4.5% historical inflation rate on electricity costs if the City continued to procure electricity energy from its current utility provider at these identified sites.

PUBLIC OUTREACH / INTEREST

The City has conducted extensive outreach around resilience hubs and the need for backup power. Community members have repeatedly stressed the need for access to electricity in the event of an emergency to refrigerate medicines, charge communications devices, and for public safety. In the case of a large earthquake or other disaster, access to electricity will be critical to recovery.

COORDINATION

The City Administrator's Office staff collected input on this program from the City's Emergency Management Services Division, the Department of Race and Equity, the Economic and Workforce Development Department's Real Estate Division, the City Attorney, and the Budget Bureau. The OPW Capital Improvement Program staff worked with Ava to help identify critical facilities for evaluation. To ensure equitable distribution of solar and battery systems, staff provided Ava with guidance based on the Public Works Equity Committee and the Racial Equity Impact Assessment + Implementation Guide that was adopted alongside the Equitable Climate Action Plan and the Oakland Department of Transportation's Geographic Equity Tool Kit.

SUSTAINABLE OPPORTUNITIES

Economic: Participation in the Program has the potential to lower energy costs for the City. The program would allow the City to purchase clean power at a set rate, which would protect against price volatility. The use of battery storage would allow City facilities to avoid purchasing electricity from the grid during peak pricing hours. Using the solar and battery systems would allow the City to avoid costs associated with the purchase and operation of diesel fuel generators.

Environmental: Using solar and battery storage at critical facilities with high energy usage would lower Oakland's GHG emissions. These systems would reduce reliance on diesel generators, which cause localized air pollution and noise pollution.

Race & Equity: Participation in this Program would provide backup power to City facilities in frontline communities that often do not have access to backup power available at home. This Program would increase the resilience of frontline communities in the face of natural disasters and the effects of climate change. Providing access to backup power for food distribution, air

Jestin Johnson, City Administrator

Subject: Master Site License Agreement for Solar And Battery Energy Systems At Critical Municipal Facilities

Date: October 30, 2024

Page 9

filtration, air conditioning, and first aid will have positive public health impacts in frontline communities. Having backup power at critical municipal facilities will allow City services to continue operation during a power outage. Facilities for solar panels and batteries will be selected in part according to the City's equity screening tools to ensure distribution in these neighborhoods as discussed in the Coordination section above.

ACTION REQUESTED OF THE CITY COUNCIL

Ordinance:

(1) Authorizing The City Administrator To Negotiate And Execute With Ava Community Energy (AVA), A California Not-For-Profit Joint Powers Authority (JPA), A Master Site License Agreement To Install, Operate, and Maintain Photovoltaic Solar and Battery Energy Storage Projects For A Commercial Operation Term Of Twenty-Five (25) Years Each Not To Exceed December 31, 2052, At A Rate Of Zero Dollars (\$0.00) Per Year And Subject To Potential Early Termination Damages For The Following Ten (10) Municipal Facilities:

- K. Oakland Ice Center At 519 18th Street;**
- L. Oakland Municipal Services Center At 7101 Edgewater Drive;**
- M. East Oakland Sports Center At 9161 Edes Avenue;**
- N. 81st Avenue public library At 1021 81st Avenue;**
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- T. Fire Station No. 20 At 1401 98th Avenue;**

(2) Making Findings That the Licenses For A Below Fair Market Value Are In the Best Interests Of The City; and

(3) Adopting Appropriate California Environmental Quality Act (CEQA) Findings

For questions regarding this report, please contact Daniel Hamilton, Sustainability Manager, at 510-238-6179.

Respectfully submitted,



Joe DeVries
Deputy City Administrator

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