



Energy Efficiency Program Summary

CityFIRST

Program Sponsor: City of Berkeley	Program Administrator: Renewable Funding LLC
Program Location: California	Eligibility: Residential & Small Business
Program Start: 2008	Program Type: Municipally Sponsored/Bonding/On-bill

Program Description:

CityFIRST is a government program that provides a straightforward financing method to help homeowners and small businesses implement photovoltaic systems. The program eliminates many of the existing barriers to solar and energy efficiency and allows communities to move forward with a workable solution to the climate and energy crisis.

The CityFIRST program is financed by bonds, which provides participants with a reasonable interest rate, fixed for 20 years. Cities and counties can implement this program with minimal upfront or administrative costs while providing leadership to dramatically reduce energy costs and boost the local green economy.

Cities or counties create a land-secured finance district that provides the upfront cost of solar, energy efficiency, and other renewable energy installations through proceeds derived from the sale of Clean Energy bonds. The bonds are repaid over 20 years from a new line item on the participant’s property tax bills. Participating property owners pay for only the costs of their energy project. The program is 100% “opt-in” and property tax expenses remain unchanged for those who do not choose to participate.

The CityFIRST program removes many of the financial hurdles facing property owners interested in installing solar systems:

- No upfront cost to the property owner
- Incremental property tax payments are low and fixed for 20 years
- Property tax payments transfer to the new owner when the property is sold
- Utility bills decrease due to energy savings
- No credit check is required

Financing & Financial Products:	<p>City creates a special Clean Energy Financing District and issues a Clean Energy micro-bond in an amount necessary to fund their individual solar or energy system.</p> <p>It is important to note that micro-bonds are just one financing approach. The program could also be financed with private lender funds or pooled bonds.</p> <p>Renewable Funding LLC purchases the micro-bonds from the city at a set interest rate and then provides funding directly to participating property owner. Renewable Funding purchased \$1.5 million in the first bond offering. The interest rate for the bond repayment was set at 3.25% over the 10-year U.S. Treasury Note or 6.75%, whichever is greater, plus a 1% addition for city administrative costs. Effective interest rate is 7.75%.</p> <p>Renewable Funding can set an interest rate spread for the duration of the financial agreement. For the first bond offering, Renewable Funding agreed that if the interest rate moves less than 10 basis points since the most recent rate re-set, then the rate would not change.</p> <p>Property owners receive a fixed rate for their repayment period the moment they request funding for the program.</p> <p>The city can increase the effective interest rate paid by property owners to recoup their administrative costs.</p> <p>Renewable Funding will charge a one-time reservation fee for applicants approved for CityFIRST financing in the program. No fee will be charged unless the applicant is approved for participation.</p> <p>Homeowner can request 100% of cost of system after state rebates, up to \$37,500.</p>
Marketing:	Renewable Funding LLC markets the program through a stand-alone website.
Enrollment Process:	<p>Property owners apply directly online via the website and complete the five-minute application.</p> <p>Renewable Funding verifies legal ownership of the property and screens for involuntary liens, notices of default, and other evidence that the property may be in a financial crisis. No credit check is needed because repayment is secured by the property, not the owners.</p> <p>Renewable Funding provides a reservation for funding, allowing the owner to install their new clean energy system.</p> <p>Homeowner contracts directly with approved solar contractor and has 27 days to complete project and request funding. Renewable Funding LLC provides customized legal documents for homeowner to sign and return.</p> <p>Once legal documents are returned, city places tax lien on property for the approved amount.</p>
Audits:	No pre/post installation audit required.
Implementation Criteria:	Strictly solar systems at this point, although efficiency projects will be incorporated.
Contractors, Training & Accreditation:	<p>Only contractors certified by CA Solar Initiative are able to install PV systems.</p> <p>Very helpful to create a standardized invoice to improve administration and relationship with contractors.</p>

Contracts: Homeowner signs contract with approved solar contractor for installation.
Homeowner signs legal documents approving the property lien.

Repayment, Collection & Flow of Funds: Renewable Funding LLC issues check to contractor for requested amount.
Homeowner repays loan over 20 years from a new line item on their property tax bill.

Program Sustainability: The first mortgage is subordinate to the lien placed on the home. The lien is at the same level as taxes. If the lien is subordinate to other items, then the interest rate will be much higher.

Clean Energy Bonds are revenue bonds, which provide low risk to city since there is no liability or exposure to city's general fund.

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Use of revenue bonds provides flexibility to incorporate loan loss reserve fund, which would lower interest rate. However, would need to maintain a minimum debt service of 6 months on the reserve fund. And, Renewable Funding suggests establishing the reserve fund as a pass through, where participants pay extra each month to fund the reserve.

Debt Service Reserve Fund - A standard form of investor security for the bonds that achieves a better bond rating and interest rate. This money is set aside at closing and held in escrow to secure the bonds in the event of nonpayment, thereby reducing the overall interest cost to the borrower. These funds may be used to payoff the bond before the end of its term and may release borrowers from any remaining payments at that time.

In Waxman-Markley, DOE is proposing loan guarantees for "property assessed clean energy programs" (Sect 299a).

Challenges:

Threshold legal issues – can one implement a special assessment district, which is totally opt-in, and use public money for private benefit?

Policy development – is enabling legislation necessary for this mechanism?

CITYFIRST

Program Schematic

