

AGENDA ITEM SUMMARY

WORK SESSION DATE: March 16th, 2010

AGENDA ITEM TITLE: Energy Smart Loan Program Update

STAFF RESPONSIBLE: Dylan Hoffman, Energy Program Manager

ISSUE STATEMENT: In the months since the County received approval from the electorate to fund the Energy Smart Loan Program (“ESLP”), Staff has been working to develop the details of this innovative new financing model. At today’s work session, Staff will present the program’s progress, and an update on program details, financing, and regional and State collaboration.

BACKGROUND: On November 3rd, the Pitkin County electorate overwhelmingly approved Referendum 1A, which authorized County debt for the Energy Smart Local Improvement District in the amount of \$7 million. Additionally, identical measures passed in Eagle and Gunnison Counties (at \$10 million and \$3 million respectively). Because of this, as was the original plan, the three Counties have been working to create a regional Energy Smart Loan Program for the purpose of financing energy efficiency and renewable improvements on properties throughout the Counties.

At today’s work session, Staff will present on the program’s progress in these primary areas:

1. Program Development and Administration
 - a. Regional Collaborative Group
 - b. GEO ESLP Regional Coordinator Grant
 - c. Community Energy Coordination Grant
 - d. ESLP Development Process and Administration
2. Draft Eligible Measures
 - a. Energy Efficiency
 - b. Renewable Energy
3. ESLP Draft Plan and Participation
4. Financing Options
 - a. Bonds
 - b. Local Bank Line of Credit
 - c. Internal Funding
 - d. Federal Bond Programs
 - i. Clean Renewable Energy Bonds (CREB’s)
 - ii. Qualified Energy Conservation Bonds (QECB’s)
 - e. Private Funding
5. State Legislative Update
 - a. SB 10-100 (Sen. Schwartz)
 - b. \$5M QECB Allocation (for PACE Counties)

- c. State-wide PACE Bill (Rep. Miklosi)
- 6. Additional Considerations
- 7. Next Steps

LINK TO STRATEGIC PLAN: This project directly supports the County’s Strategic Issues in Environmental Protection (most notably, *Promotion of Energy Efficiencies, and Regional Activism on Environmental Issues*), and Regionalism (most notably, *Developing Broad Regional Policies, Regional Efficiencies, and Shared Vision*).

KEY DISCUSSION ITEMS: After the presentation, Staff would like to get Board feedback and address any questions related to the draft eligible measures, draft ESLP plan, possible financing models, and next steps for public input and stakeholder group involvement. Additionally, if the Board has any concerns, issues, or comments to be included in future program development, Staff would like to incorporate these into the subsequent draft of the ESLP.

BUDGETARY IMPACT: A primary goal in developing the ESLP has been for the Counties to utilize existing Staff and resources in order for the program to have no financial impact on non-participants. Staff will be utilizing application and administrative fees from ESLP participants in order to cover any program costs beyond existing budget.

RECOMMENDED BOCC ACTION: Provide comments and feedback on the development of the ESLP draft and list of eligible measures for Staff to incorporate for stakeholder and public comment.

ATTACHMENTS:

- ESLP Draft Plan
- ESLP Draft List of Eligible Measures
- BOCC Update Presentation



Energy Smart Loan Program *Draft Plan*

March 16th, 2010

In November 2009, the voters of Pitkin County approved Referendum 1A to develop the Energy Smart Loan Program. This allows Pitkin County to offer loans for energy efficiency and/or renewable energy improvements on eligible properties. These loans are then recollected on participating properties through special assessments upon their property taxes. The program is voluntary and only affects property owners choosing to participate.

Pitkin County Staff has researched other similar Property Assessed Clean Energy (PACE) programs in existence across the country and has developed the following draft for your review and input. Comments are encouraged and can be forwarded via email to dylan.hoffman@co.pitkin.co.us.

The following recommended eligibility measures, process, details, and standards have been developed to receive feedback on the program's development.

ELIGIBILITY:

Participants must be property owners in Pitkin County, Colorado. Also while the goal of the program is to expand to commercial properties, currently the program will only be launched to residential properties. Any property that defaulted on property tax and/or special assessment payments within the past 3 years will not be eligible.

ELIGIBLE MEASURES (Detailed List Attached):

Energy Efficiency (EE) Measures:

- Analysis
- Air Sealing
- Ventilation
- Insulation
- Heating
- Cooling
- Water Heating
- Lighting
- Windows, Doors, and Skylights

Renewable Energy (RE) Measures:

- Solar Hot Water
- Solar Photovoltaics

- Small Wind
- Wood/Pellet Stove Upgrades

PROCESS:

A key component of the Energy Smart Loan Program is that it provides for rolling enrollment, instead of a pre-defined sign-up deadline. This means that whenever a homeowner is ready to make the proposed energy efficiency or renewable energy improvements eligible under the program, they may do so at any time as long as funds are available. This process allows for much better accessibility to the public, scheduling and capacity for contractors, and more manageable program administration. The proposed homeowner process would include the following:

1. Attend a mandatory Informational ESLP Workshop.
2. Complete an energy audit on the home through a BPI-Certified auditor.
3. Acquire bids for the work to be completed on the home, select contractor to perform the work. Any licensed contractor in Pitkin County can perform the work.
4. Submit an application which includes a signed contract between owner and contractor, and a copy of the energy audit results. A \$100 non-refundable fee is paid along with the application to help cover some administration costs and eliminate projects not intending to move forward within the proposed time limit for project completion.
5. The owner is given a notice to proceed which states their project is eligible for ESLP funding and payment will be issued upon completion.
6. The owner submits a statement of completion and a copy of the final inspection by the relevant local authority, based upon existing building department practices. This statement clearly states that the work is complete and the owner is satisfied with the improvements made by the contractor. For improvements which do not require permitting within the underlying jurisdiction, an inspection will be performed by a representative of the ESLP to ensure that the proposed scope of work has been completed on the subject property.
7. Payment is forwarded directly to the contractor named on the application in the contracted amount.
8. The cost of the improvement is attached to the subject property by Pitkin County as a special assessment and amortized over 15 years. The first payment due on the assessment would be on the following year's tax notice. The assessment can be paid in two halves as with the primary property tax amount, in full for the annual amount due, or the entire assessment may be paid off at any time without prepayment penalty. If

the property ownership changes, the assessment lies with the land unless the remaining balance is paid off in its entirety.

FINANCING OPPORTUNITIES:

The target loan package is a 15-year term with a fixed 5% interest rate. The interest rate covers associated administration costs of the program. This investment does not affect the general fund nor reserve funds. It is proposed that the program is to begin with \$1,000,000 available to eligible homeowners. A minimum limit of \$3,000 and a maximum limit of \$50,000 are proposed per participating property.

Staff is concurrently pursuing several funding options for the program. One is a partnership with local banks to provide financing for the program through a long term low interest line of credit to Pitkin County which it would then administer to participating property owners. Other larger scale opportunities exist in the form of low interest bonds; however, bonding only makes sense in a larger multiple-county framework which is currently not an option. The current direction to launch the program, however, is to start small, utilizing readily available funding sources, and grow the program as warranted by demand.

ADDITIONAL PROGRAM DETAILS:

- Deed restricted homes can participate but cannot include over base appreciation unless entirely paid off before time of sale.
- Condominium owners are eligible with appropriate authorization from their Home Owners Association, if necessary, for each improvement measure.
- Do-it-yourselfers may participate but only for materials, not time.
- The program would be eligible for existing homes only; not new construction (at least for program start up; this issue may be revisited at a later date).
- Contractors in compliance with relevant professional regulations within the underlying jurisdiction are eligible to provide services in the Energy Smart Loan Program. A 3-year minimum warranty on materials and workmanship is required for participating contractors.
- Any rebates or other incentives would need to be factored into the loan amount. The County is considering requiring that the rebates or incentive amounts be reduced from the amount of the loan, or that those amounts can be rolled into the loan with a stipulation that immediate repayment of those amounts is required upon their payment. Any available tax credits available to the owner of the property would not be subtracted from the amount of the loan.

- Participants will be required to submit a utility release for the previous 12-month period. Energy use of participating properties would be monitored to demonstrate energy use trends associated with the program. No personal use information would be shared without express written consent of the property owner or representative.
- All eligible measures are subject to all applicable existing regulations and permitting processes.
- The listing of eligible measures does not constitute a warranty of any kind. While the eligible measures are expected to have positive returns on investment, the Energy Smart Loan Program can not guarantee energy or cost savings associated with these measures.


DRAFT

Energy Smart Loan Program List of Eligible Measures

Energy Efficiency Measures


Category	Measure	Minimum Efficiency/Certification Requirements
Analysis	Energy Audit	Required for all projects, BPI or HERS qualified auditors are qualified
Air Sealing	Air Sealing	Measures should result in final ACH of .35
	Duct Sealing	Mastic only
Ventilation	Whole House Fan	Must have controls (thermostat or timer, multi-speed). Fan opening must be properly insulated and sealed in winter.
	Attic Fan	Must have controls (thermostat or timer, multi-speed). Fan opening must be properly insulated and sealed in winter. May be solar-powered.
	Heat Recovery Ventilator	Must meet Energy Star criteria, no integral electric resistance heater.
Insulation	Attic	R-49 minimum required in open attic; cathedral ceilings will vary.
	Wall	R-21 minimum
	Floor	R-38 minimum
	Ducts	R-8 minimum
	Perimeter	R-10 minimum
	Crawlspace	Sealed seam and edge vapor barrier. R-10 minimum wall insulation
Heating	High Efficiency Furnace	AFUE >= 95 %
	Boiler	AFUE >= 93%
	Ground Source Heat Pump	Closed loop only. Must meet Energy Star: EER >14.1, COP >=3.3. Installer must be IGSPHA certified.
	Programmable Thermostats	Installed per manufacturer's specifications
Cooling	Evaporative Cooling	Installed per manufacturer's specifications
	Air conditioner	Replacement only, SEER ≥ 16
Water Heating	On-Demand/Tankless	Energy Factor of 0.82 or higher (Energy Star listed) natural gas or propane only
Lighting	Fixtures/ballasts	Energy Star listed fixtures, linear fluorescent, CFL or LED fixtures that cannot be lamped with incandescent bulbs.
	Timers, Sensors, Dimmers	Must be hardwired to electrical service
	Home Energy Monitor	Must be hardwired to electrical service
Windows, Doors, and Skylights	Window Repair	Reglazing and repair of historic, old growth windows, does not include coatings or finishes.
	Exterior windows and glass doors	Replacements . U .32 maximum, air sealing measures to .35 AC/hr
	Storm windows	Weatherstripping required. Total window assembly of U<0.32
	Window Film	Must meet Energy Star criteria
	Insulating shutters or blinds	R-5 minimum for shutters, R-3 for blinds, proper installation required
	Insulating exterior doors	U-.32 minimum
Skylights	Replacements only. U .32 minimum	
Renewable Energy Measures		
Category	Measure	Minimum Efficiency/Certification Requirements
Solar Hot Water		Must be rated by the Solar Rating and Certification Corporation. R-4 minimum for insulation on collector pipes. COSEIA certified installer.
Solar Photovoltaics		COSEIA/NABCEP certified installer.
Small Wind		
Wood/Pellet Stoves	Pellet Stoves	Minimum 75% efficiency, 2 grams/hr or less particulate rating

All eligible measures are subject to all applicable existing regulations and permitting processes. Payment will be made to the contractor upon final inspection by the relevant local authority, based upon existing building department practices. Contractors in compliance with relevant professional regulations are eligible to provide services in the Energy Smart Loan Program. The listing of eligible members does not constitute a warranty of any kind, nor does the Energy Smart Loan Program guarantee energy or cost savings associated with these measures.



Energy Smart Loan Program Update

Pitkin BOCC March 16th, 2010



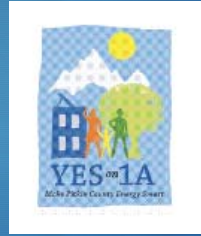
Agenda

1. ESLP Development Update
2. Draft Eligible Measures
3. Financing Options
4. Legislative/State Update
5. Next Steps/Q&A



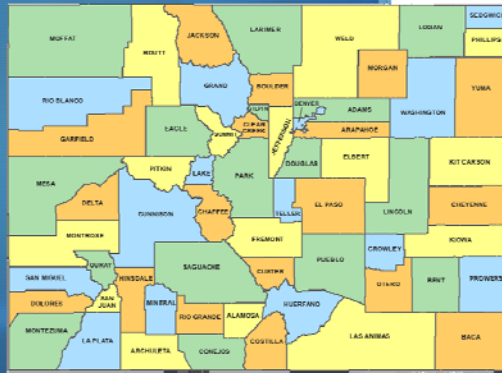
ESLP Update

1. Regional Collaborative Group
2. GEO Grant for Regional Coordinator
3. Community Energy Coordination Grant
4. Pitkin Development Process



Regional Collaboration

Development Team:
Pitkin-Dylan Hoffman
Eagle-Adam Palmer
Gunnison-Andris Zobs (ORE)
GEO-Joani Matranga



GEO ESLP Regional Coordinator

- \$25,000 Grant for Program Admin
- Competitive Process
- CORE Selected as non-profit grantee
- Key Staff Contact=Jason Haber, CORE Mid-valley Project Manager
- GEO ESLP Marketing Grant in process



Governor's
Energy Office

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Community Energy Coordinator Grant



- Direct allocation to PACE Counties
- Pitkin allocation=\$45,000
- \$ can be used to assist ESLP

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Energy Smart Loan Program Development



- Transparent process and program
- Job creation
- EE/RE development
- User-friendly
- Self-sustaining
- Simple and accessible
- Scalable/Replicable
- Measureable results

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Stakeholder Groups

1. Technical Advisory Group
 - Convened group on 2.18.10
 - Included building officials, energy experts, and contractors.
2. Internal Administrative Group
3. Outreach/Marketing Group
4. Consumer Group

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Administration

- \$1,000,000 Initial loan pool
- Target Interest Rate= 5%
- 1-2% for Program Administration
- \$100 Application Fee (non-refundable)



Draft Eligible Measures

Designed to integrate with existing:

- Building Codes (stakeholder meeting 2.18.10)
- Local/State incentives and Rebates
- Federal Tax Incentives



Draft Eligible Measures

Energy Efficiency

- Energy Analysis
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Renewable Energy

- Solar Hot Water
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Heating	Crawlspace	Sealed seam and edge vapor barrier. R-10 minimum wall insulation
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	Boiler	AFUE \geq 93%
	Ground Source Heat Pump	Closed loop only. Must meet Energy Star: EER >14.1, COP \geq 3.3. Installer must be IGSPHA certified.
	Programmable Thermostats	Installed per manufacturer's specifications



Draft Eligible Measures

Energy Efficiency (contd.):

Cooling	Evaporative Cooling	Installed per manufacturer's specifications
	Air conditioner	Replacement only, SEER ≥ 16
Water Heating	On-Demand/Tankless	Energy Factor of 0.82 or higher (Energy Star listed) natural gas or propane only
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Draft Eligible Measures

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Small Wind		



ESLP Steps

1. Mandatory property owner workshop
2. Complete an energy audit on property
3. Obtain estimates and/or bids from contractors
4. Apply with the County
5. Notice to proceed
6. Statement of completion
7. Contractor payment
8. Begin special assessment (repayment)



Mock Loan Scenario

4kW Solar Photovoltaic System	
PV System (kW)	4
System Cost	\$ 25,000.00
ESLP Admin (1.5%)	\$ 375.00
Application Fee	\$ 100.00
Total Out of Pocket	\$ 475.00
City of Aspen Rebate (\$3.00/watt up to 3kW)	\$ 9,000.00
Loan (Less COA PV Rebate)	\$ 16,000.00
ITC (30%)	\$ 4,800.00
Total Loan (Less Rebates and ITC)	\$ 11,200.00
Repayment	
Annual Assessment (after rebate repayment)	\$ (1,062.84)
Estimated Annual Cost Savings	\$ 550.00
Income Tax Savings	\$ 79.00
Net Annual Cash Flow	\$ (433.84)



Financing Options

- Bond Sale (individual vs. regional)
- Internal Funding
- Local Bank Line of Credit
- Clean Renewable Energy Bonds
- Qualified Energy Conservation Bonds
- Private Financing



State/Legislative Update

- SB 10-100: Multi-County LID's
- Qualified Energy Conservation Bonds
 - ✓ \$5M PACE Allocation
- State-wide PACE program (Miklosi)



Additional Considerations



- Deed Restricted Properties
- Condos/HOA's
- Do-it-yourselfers
- Existing vs. New Construction
- Contractor Certification
- Rebates and Incentives
- Utility Release and Tracking
- Advance Repayment
- Completion time limits

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Next Steps

- Continue Stakeholder Group Meetings
- Begin Public Outreach and Complete Plan
- Solidify Program Financing
- Detailed Internal Impact Scenarios
- BOCC Approval
- Program Launch and Outreach
- Property Owner Workshops
- First Submittal of Applications (June 2010)

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Questions and Comments

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