



Executive Summary

To: Bob Vitas, City Manager

From: Don Craig, Alison Higgins

Date: August 21, 2012

Re: Pursuing Property Assessed Clean Energy (PACE) and Green Business Certification 2.0 programs.

ACTION ITEM

To approve programs that would allow commercial access to Property Assessed Clean Energy and Green Business Certification 2.0.

PROJECT BACKGROUND

Property Assessed Clean Energy (PACE) is a high leverage tool to reach the City Commissions' community greenhouse gas reduction goals and allow property owners to access the capital needed for energy efficiency, water efficiency and wind resistance improvements.

Property-Assessed Clean Energy (PACE) is a financing structure that enables property owners to access sources of capital to fund energy efficiency and renewable energy projects. A form of land-secured financing district (also known as "special tax" or "special assessment" districts), the property owners that benefit from the improvement repay the through property assessments, which are secured by a property lien and paid as an addition to the property tax bill.

The extension of this financing model to energy efficiency and renewable energy improvements allows a property owner to install improvements without a large up-front cash payment. The financing is repaid over a set number of years through the "special tax" or "assessment" only on those property owners who voluntarily choose to attach the cost of their energy improvements to their property tax bill. The financing is secured with a lien on the property and in the event of foreclosure the energy financier is paid before other claims against the property. If the property is sold before the end of the repayment period, the new owner inherits both the remaining repayment obligation and the financed energy improvements.

In May 2010, the Florida House and Senate passed HB7179, the PACE Bill, which created Section 163.08, F.S., providing supplemental authority for local governments to provide up-front financing for energy conservation, energy efficiency, renewable energy, and wind resistance "qualifying" improvements affixed to residential, commercial, or industrial property, with such

funding recovered over time typically through non-ad valorem assessment. At this time, because of standing opposition by Fannie Mae and Freddy Mac over residential PACE, only commercial and industrial PACE are recommended at this time.

A city or county must authorize a financing district in order to start PACE, and can handle the program in house or Leon County was the first local government to authorize a PACE program, and since that date, more than a dozen Florida cities and counties have authorized programs while many others are researching their options. There are two major third-party programs available for opt-in in Florida, neither of which have any up-front costs or liabilities to the City.

The City's Climate Action Plan specifically calls for a funding mechanism to help businesses reduce their carbon footprint. Participating in a commercial PACE program provides these services to our business community and will greatly help the City document its greenhouse emissions goals in the commercial sector.

Green Business Certifications are another high leverage action to reach the City Commissions community greenhouse gas reduction goals as well as allow local businesses to reduce operating costs, stand out amongst the competition and increase tourist opinion of our City.

Green business certification is recognition that a business meets standards set by a certifying organization focusing on promotion of sustainable business practices. Research has shown that consumers will seek out companies with green certification to do business with, making this a useful tool for businesses that want to grow their customer base.

GLEE designed and introduced the first green business certification for the keys, but has found that the process needs less paper and more handholding. New, national certifications that partner with local partners are now available online and provide many other perks not available with GLEE's first version.

GLEE is interested in partnering with the City and Monroe County in moving towards a Green Business Certification 2.0. The Monroe County Tourist Development Council is also interested in helping to promote our sustainable businesses as this reflects well upon the Keys as a desirable destination. Helping choose and design a Green Business Certification 2.0 will greatly help the City document its greenhouse emissions goals in the commercial sector.

PURPOSE & JUSTIFICATION

In 2008, the City Commission mandated a 15% reduction in greenhouse gasses by the end of 2015, and approved the Climate Action Plan for greenhouse gas reduction in 2009.

The Key West Community Greenhouse Gas Emissions Inventory shows that our Commercial sector was our highest source of emissions at 38.9% and the Climate Action Plan calls for a Commercial Challenge to reduce energy use, siting actions to assist Green Business Certification programs and loan funds for weatherization, among others;

The Sustainability Coordinator has researched the Commercial Challenge section in the Climate Action Plan and has recommended moving forward on Green Business Certifications and PACE programs as a first priority to help the commercial sector reduce emissions.

Attached to this item are Ms. Higgins' original presentation to the Sustainability Advisory Board as well as the Sustainability Advisory Board's Action Item to the City Commission requesting their support for the PACE and Green Business Certification programs.

OPTIONS

1. The City Commission can adopt a Resolution to research and recommend to the Commission programs that would allow commercial access to Property Assessed Clean Energy and Green Business Certification.
2. The City Commission can adopt a Resolution to research and recommend either Property Assessed Clean Energy or Green Business Certification.
3. The City Commission may elect not to adopt a Resolution to research and recommend neither Property Assessed Clean Energy nor Green Business Certification.

ADVANTAGES

- PACE and Green Business Certifications are two of the most effective actions the City can take to help businesses reduce their carbon footprint.
- Both programs rely on free third party programs and local partnerships to reduce work load on City staff.
- Both programs involve high returns on investment and reduce operational costs to the businesses in our community.
- Both programs increase green construction jobs, and help diversify our economy, making the keys more financially sustainable as well as environmentally.

DISADVANTAGES

- Staff sees no disadvantage to the City supporting local PACE and Green Business Certification programs.

FINANCIAL ISSUES

- Participation in an already existing, third party, "open-market" PACE program will incur no cost to the City, except for the 1) initial staff time to research and opt in to the program, and 2) staff time spent compiling successes annually. If the City decides to opt-out, most PACE programs have opt out fees in the first few years to recoup capital spent.
- Participation in a Green Business Certification program will incur no cost to the City, except for 1) initial staff time to research and coordinate with partners, and 2) staff time spent compiling successes annually.

RECOMMENDATION

Staff recommends that the City Commission adopts a resolution that the Sustainability Coordinator has the authority research and recommend to the Commission programs that would allow commercial access to Property Assessed Clean Energy and Green Business Certification 2.0 programs.