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**Redevelopment
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Staff Report

ITEM NO. 16

To: Lemoore City Council and
Redevelopment Agency Board

From: Judy Holwell, Redevelopment Project Manager

Date: June 14, 2007

Subject: Residential Solar Loan/Grant Program

Discussion:

Staff has been asked to research financial assistance options for the installation of solar systems on residential housing units in our community. According to Cam Maloy at Pacific Gas and Electric, the average size solar system is 5.0 KW and rebates are available in the amount of \$2,500 per KW. Solar systems significantly reduce the cost of electricity, however, installation of the systems are costly.

According to Mark Weber of Home Electronics Inc., solar systems average approximately \$8,500 per KW to install, which leaves customers with an out-of-pocket expense of approximately \$6,000 per KW after the rebate. The following table shows the three main system sizes that he has historically installed and the cost of the system minus the rebate:

Size:	2.5 KW	5.7 KW	7.5 KW
Out-of-pocket:	\$15,000	\$34,200	\$45,000

The Agency can use Low-Moderate Income funds to assist low to moderate income families within the Redevelopment Agency Project Areas. Funds from this account are required to be used to increase the quantity and/or quality of affordable housing units. The justification for using these funds would be one of improving affordability of housing in that energy costs are reduced thereby increasing the quality of affordable housing. These units, however, would not count toward our Housing Production Requirement because we are not creating new affordable housing units or providing major rehabilitation to affordable housing units. While some of our affordable housing programs assist residents outside the Project Areas, such as our First Time Homebuyer Program, we are able to count the units because we are increasing the quantity of affordable housing units. We are able to offer our Paint/up Fix/up Grant Program to residents outside the Project Areas because the intent of that program is to improve the

quality of affordable housing units by eliminating blight. Since a solar program would not eliminate blight or provide new housing units, these funds cannot be used outside of the Project Areas.

Another option to consider is to require the installation of solar systems in all major rehabilitation and in-fill housing construction projects. The cost however, would be similar and unless the program was in the form of a grant, the owner would still be required to make monthly payments for the system.

While a program to assist low to moderate income residents with the cost of solar system installation would be a great addition for the community in that less electricity is used and it is "green", we fear that the target population that could really benefit from a program of this nature is the high-use electric consumer. If the Board is interested in moving forward with this program, staff believes it is necessary to gather information from our low-mod families currently receiving Agency assistance to determine whether their electric consumption supports the need for a solar system.

Contrary to previous information received, the payment of grant funds do not limit the residents ability to obtain any of the rebates that are available. With this in mind, a grant or combination of grant/loan can be offered to incentivize a solar program. However, the grants may affect the amount of federal tax credits received especially on smaller systems. Extra consideration should be taken when considering loans. A second deed of trust can be record against the property, but the payback period would be lengthy and the funds may not be protected if the homeowner does not have enough equity to cover the debt.

The attached spreadsheets show monthly payments for various funding options. As noted, the Agency can elect to assist low to moderate income families, however, City General Fund monies would have to be used to assist all other residents whom do not meet the income requirement or whom do not live in a Project Area. The payment of prevailing wages would be required if public funds are granted or loaned at below market rate for all non low-mod projects.

Budget Impact:

The Low-Mod Housing Fund has approximately \$3,533,381. However, the Board has committed funding in the amount of \$900,000 for an affordable multi-family housing project, leaving the Fund balance at approximately \$2,633,381. The City General Fund as proposed for 2007-2008, has an estimated fund balance of \$7,103,594.

Recommendation:

Council/Board discretion.