

Mayor
John Murray
Mayor Pro Tem
John Grego
Council Members
Mary Hornsby
Ed Martin
Willard Rodarmel



**Office of the
City Manager**

119 Fox Street
Lemoore ♦ CA 93245
Phone ♦ (559) 924-6700
FAX ♦ (559) 924-9003

To: Lemoore City Council
From: John Tyler, Administrative Analyst Item # 8
Date: March 1, 2007
Subject: Solar Ad Hoc Committee Update

Discussion:

At the Council's request on February 6th, a Solar Ad Hoc Committee was formed to study possible directions for solar power in Lemoore with regard to new development. The committee met on February 13, 2007 at 5:00 pm and was comprised of the following individuals:

John Grego, Mayor Pro-Tem
David Wlaschin, PW Director
John Tyler, Administrative Analyst
Bob Keenan, Home Builders Association of Kings County
Pat Panzerra, Construction Designs

Also in attendance were:

Mark Weber, HEI Solar
Paul Daley, Daley Homes
Joe Mendiola, Assistant Planner

The group held a general discussion for approximately 90 minutes and covered a wide variety of issues. We tried to stay on topic with the solar issue, although solar power and energy conservation are very closely related. Prior to the ad hoc meeting, Mayor Murray had voiced his interest in five areas. We used these areas to guide the discussion, and I've used these same five areas to build this report.

1. Local Building Codes must be in agreement with State Building Codes.

The group agreed that Local Codes should be in line with State Codes. State Codes are updated every three years and are usually stringent enough to cover current issues such as the future of solar technology. Cities like Sebastopol that have adopted the Green Building Guidelines have done so ahead of the State curve. The group agreed that there is value to the Green Building Guidelines, but that to try and mandate them now through our local building code could be counterproductive. PW Director Wlaschin concurred with Mr. Daley and Mr. Keenan in that it was likely the State would eventually mandate

Green Buildings and that it wasn't necessarily up to the local agency. Permitting fees for solar applications were also discussed. At the present time, the law allows fees to be calculated on the value of the project. Right now, solar applications are costing in the \$25-60K range, which can put the fee into the \$500-\$750 range. The fees could be reduced, capped or waived. See Attachment #1 for examples from other cities.

A recommendation does come out of the group that we cap the permitting fee on solar applications in an effort to encourage such applications. At least one group has suggested \$300 be a cap for permitting fees. That decision is ultimately up to the Council.

2. **What can proactively be done to promote solar applications?** Proactive responses can take many forms. Pre-wiring new homes for solar applications is one form; another may be offering low-interest loans to purchase the expensive systems. The group discussed many ideas that fall within this range. The average price to pre-wire a home for solar power would be \$250 at today's prices, according to Mr. Daley. This would not be as easy for the developer to handle as the \$100 price tag suggested earlier. Although, Mr. Daley said he would have to think twice if it was \$250, he did not indicate that it would be an unmanageable burden. Mr. Daley had his staff create a simple diagram of the most efficient type of pre-wiring (see Attachment #2). Other cities have entered into development agreements with developers of new subdivisions which address the solar pre-wiring issue as well as the pre-plumbing issue. The plumbing in homes would have to be designed in such a way that the future addition of a photovoltaic system would not interfere with existing plumbing and that inline appliances, such as passive water heaters, could be easily installed without having to redo the entire plumbing systems. Finally, with regard to development agreements, there could be clauses inserted that would require a certain percentage of roof area to be south-facing and solar-capable. **The group, however, did not make a recommendation to mandate these sorts of building requirements.** More simply, these three issues: pre-wiring, pre-plumbing, and roof-exposure were brought to the forefront. Specific language that could be used to address these items in subdivision agreements or as part of the conditions of approval for projects is up to Council discretion. This could be accomplished through "trade-offs" or other building requirements being waived or reduced, such as density or garage setbacks.

3. **Incentives.** Incentives to both the developer and the end customer were discussed at some length. Of course, all parties outside the City are happy to hear the word "incentive," but these recommendations are always the most expensive for the City to bear. The group suggested that incentives to the citizens that purchase the solar system may be most effective at convincing the homeowner to invest. If the average homeowner has to spend \$15,000 (after PG&E rebates) then offering City-funded grants or low-interest loans to these customers to offset the cost would be attractive. **The very-low interest loan from the City with a 5-10 year payback period was the most popular idea coming out of the group.** As an example, a \$10,000 loan at 2.5% interest over ten years would cost the homeowner \$94 per month and net the City \$1,300 in interest over the ten years. Grants in smaller amounts could be made. Again, this is at Council's discretion.

The developers would like to see incentives in the form of "planning concessions" or "adjustment of impact fees." These are abstract values, however, and should be considered in more depth before making concrete decisions.

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4. Available State Funds. The group agreed that City Staff will look into the availability of these funds as we receive the NOFA (Notice of Funds Available). There is no doubt that 10% of available funds will be earmarked for low-to-moderate income households and **our staff will be more than capable, through Planning and Redevelopment, to take advantage of those programs.**

 5. Mandates. Mayor Murray suggested that we should “consider” mandates very carefully and the group agreed. At this time, mandating anything other than State regulations might be perceived as onerous to the general public and the development community. **The group agreed that it would be prudent to hold off on “mandates” as a tool and instead focus on “suggestions” and possibly begin to incorporate some solar language into future subdivision agreements or conditions of approval.** The group also agreed that other language that relates, but is not directly “solar” should be included, such as sky-lighting, denser ceiling insulation, and other conservation related topics.

As you can see, only one concrete recommendation came from the committee and this was pertaining to the permitting fees that are charged to residents for solar applications. If the Council decides to cap this fee, as per the recommendation, then a Public Hearing will need to be noticed and a Resolution drafted and adopted to make that cap. Also, the Council can decide to use the level recommended by the committee (\$300), or can choose a different amount. If it is the case that the Council decides to waive the permitting fee altogether, then a Resolution must be adopted, but no Public Hearing needs to be held.

Budget Impact:

Nineteen (19) photovoltaic systems have been permitted since 2002; six in 2006 alone. The amount of the fees collected totaled \$7,140 on systems that had a total retail value of \$334,700. If the fees were capped at \$300, regardless of the value of the PV systems, the decrease in revenue would have been \$1,440 over the 5+ year period. Over the next few years, it is difficult to predict the number of PV permit requests; however you can see the ratio illustrated here; an average loss of \$360 per year, or 20% of the line item. This could be converted into an estimated prediction of a decrease in revenues over the next five years in the amount of \$2,000 (\$400/yr), which is minimal.

Recommendation:

As stated earlier, only one firm recommendation came out of the ad hoc committee, but there were other ideas put forward as listed in this report. City staff still requires direction with regard to these other issues. For example, would Council like grant or low-interest loan programs to be investigated through the RDA? Would Council prefer that future policies begin to include language that promotes pre-wiring and pre-plumbing for solar applications? And finally, would Council like to see Green Building Practices investigated further for future consideration ahead of the State curve? These are complex questions left to Council’s discretion.