



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** John Stufflebean

**SUBJECT:** SEE BELOW

**DATE:** 06-01-10

Approved

Date

6/8/10

**COUNCIL DISTRICT:** City-Wide

**SUBJECT**    **AMENDED GRANT AGREEMENT WITH THE U.S. DEPARTMENT OF ENERGY FOR THE SOLAR AMERICA INITIATIVE'S SOLAR MARKET TRANSFORMATION SPECIAL PROJECT AND RELATED APPROPRIATION ORDINANCE AND FUNDING SOURCES RESOLUTION AMENDMENTS**

## **RECOMMENDATION**

I. Adoption of a resolution:

- a. Ratifying a grant agreement with the U.S. Department of Energy to conduct the Solar America Initiative's Solar Market Transformation Special Project activities, for the term of January 1, 2010 through December 31, 2011, and to accept a grant in an amount not to exceed \$1,301,636.
- b. Authorizing the City Manager and Redevelopment Agency Executive Director to negotiate and execute an agreement for the City's use of the Agency's site located at 155-193 East Santa Clara Street, which is valued at \$9,343 per month for a period of up to two years, for the Green Vision Education and Demonstration Center;
- c. Authorizing the City Manager to grant licenses to clean tech companies providing donations to the Green Vision Education and Demonstration to be on site at 155-193 East Santa Clara Street for a period of up to two years

## **OUTCOME**

Approval of this recommendation will allow the City to accept an amended Solar America Initiatives Solar Market Transformation grant from the U.S. Department of Energy (DOE) in the amount of \$1,301,636. The DOE expects to make the grant funds available in July 2010. Once the funds are available, the City can draw on the funds as reimbursement for incurred expenses.

The funds will be used to support implementation of projects that expand the use of solar in San José, thus moving the City towards achieving Goal #3 of the Green Vision, to receive 100 percent of our electrical power from clean renewable sources.

**EXECUTIVE SUMMARY**

In July 2009, the Environmental Services Department applied for the DOE Market Transformation grant, in accordance with the submission guidance that was approved by Council at the June 23, 2009 meeting. The City's application, entitled *San José Solar – Enabling Community Participation in Achieving the City's Green Vision Goals*, proposed a \$2,715,855, seven project program that would support the City's solar programs and facilitate implementation of the City's Green Vision Goals. The program was to be funded by \$1,357,928 from DOE, \$600,250 in the form of goods and services from local companies, and a \$757,678 City match which included Redevelopment Agency (RA) property valued at \$273,232 for the Green Vision Education and Demonstration center.

In October 2009, the DOE announced that San José had been awarded \$900,000 to implement these seven programs. Staff negotiated with DOE to revise the scope for the projects in accordance with the reduced budget and, on November 19, 2009, DOE agreed on an award of \$1,101,636 to fund five of the seven projects. The total match by the City and in local company goods and services at that time was \$1,101,636. In March 2010, DOE headquarters allocated additional funding for the City to implement activities outlined in the original grant proposal bringing the final federal award to \$1,301,636. The total match by the City and in local company goods and services was reduced to \$693,868. The six projects will be:

	<b>DOE/Federal Share</b>	<b>City In-kind Match including City donations and RDA Property Contribution</b>	<b>Private Sector Match</b>	<b>TOTAL</b>
Community Education on Clean Technology Financing Programs	\$369,716	\$ 39,428	N/A	\$409,144
San Jose Credit Union Solar Financing Pilot--Education	\$44,432	\$6,928	N/A	\$51,360
Qualified Energy Conservation Bonds Feasibility Analysis	\$22,216	\$6,928	N/A	\$29,144
Green Vision Education and Demonstration Program	\$441,863	\$288,205	\$255,400	\$985,468,
Solar Career Opportunities	\$201,193	\$6,929	\$25,000	\$233,122

	DOE/Federal Share	City In-kind Match including City donations and RDA Property Contribution	Private Sector Match	TOTAL
Solar Permitting Best Practices	\$222,216	N/A	\$65,000	\$287,216
<b>TOTAL</b>	<b>\$1,301,636</b>	<b>\$348,418</b>	<b>\$345,400</b>	<b>\$1,995,454</b>

### **BACKGROUND**

In May 2007, the City was selected as a Solar Showcase project by DOE to develop comprehensive, city-wide approaches to accelerating solar energy adoption. As a Solar Showcase project, the City received technical assistance from DOE to conduct solar potential assessments and perform cost-benefit analyses at seven of the City's largest facilities. In March 2008, San José was selected as one of the 25 DOE Solar America Cities in the United States and received a \$200,000 grant to link community solar activities with goal #3 of the City's Green Vision—receiving 100% of our electricity needs from renewables. As a designated Solar America City, San José was then eligible to apply for a Solar Market Transformation Special Project (Market Transformation) grant in July 2009. The goal of this grant, funded by the American Recovery and Reinvestment Act, is to enable the cities to increase solar energy use in their communities through innovative programs and policies that could be easily replicated across the nation.

In July 2009, the Environmental Services Department applied for the DOE Market Transformation grant, complying with the submission guidance that was approved by Council at the June 23, 2009 meeting. The City's application, entitled *San José Solar – Enabling Community Participation in Achieving the City's Green Vision Goals*, proposed a \$2,715,855 program to be funded by \$1,357,928 from DOE, \$600,250 in the form of goods and services from local companies, and a \$757,678 City match, designed to support the City's solar programs and facilitate implementation of the City's Green Vision Goals. Though this is a multi-fiscal year agreement, the grant revenue will be received as a lump sum in 2009-2010 and the full amount of the matching funds must be appropriated out of the 2009-2010 budgets. The City's application requested DOE funding for the following seven projects:

- Property Assessed Clean Energy financing program development through the California Communities Joint Powers Authority
- Solar Loans for City Staff
- Qualified Energy Conservation Bond Financing for Revolving Solar Loan Fund
- Streamlined Regional Solar Permitting Process
- Solar Train the Trainer Internship Program
- Solar Career Training for At-Risk Youth
- Green Vision Education and Demonstration Center

In October 2009, the DOE announced that San José had been awarded \$900,000 to implement these seven programs. In November 2009, ESD staff negotiated with DOE to revise the scope for the projects and DOE agreed upon a federal award of \$1,101,636 to fund five of the seven projects. In March 2010, DOE headquarters allocated another \$200,000 in funding for the City to implement an additional activity outlined in the original grant proposal bringing the final federal award to \$1,301,636. The local company goods and services and City match, including Redevelopment Agency contributions for the Green Vision Education and Demonstration Center, for the final grant amount was reduced to \$693,868, which is above the required 50% match for non-educational activities.

### ANALYSIS

Through staff negotiations with DOE, the scope of the projects has been revised to reflect the adjusted budget. Even with the revised scope that has been negotiated with DOE, these six projects will facilitate the City's ability to foster community involvement in innovative measures that will spur solar market transformation, as stated in the original proposal. The key objectives of the projects still remain:

- Increase awareness of energy financing strategies to property owners through coordinated outreach activities;
- Increase awareness of the multiple, viable solar technologies by ensuring the community has hands-on educational opportunities; and
- Increase available resources for green collar workforce training.

The six projects to be funded through this program include:

• **Community Education on Clean Technology Financing Programs:** There are numerous financing options available to the community for solar energy retrofits—including group purchases through the establishment of Solar Block parties, residential leases/power purchase agreements, and Property Assessed Clean Energy (PACE) funds. DOE award funds will be used for staff administration and marketing, education, and outreach activities associated with these and other renewable financing programs throughout the City.

California Communities intends to launch the CaliforniaFIRST program on a pilot basis in 2010. California Communities will undertake a judicial validation proceeding as part of its initiation of the CaliforniaFIRST Program.

• **Solar Loans for City Staff:** San José Credit Union serves the banking needs of many of the City's employees. While programs like CaliforniaFIRST will meet the needs of many interested property owners, it will not meet the needs of everyone. The City of San José has almost 7,000 employees and wants to enable all staff to lead by example. The San José Credit Union has agreed to provide all City employees, wherever they may live in the Bay Area, a low interest loan as an additional financial option for solar adoption. The funds for this project will pay for

City staff time and marketing materials to provide employee education on solar opportunities and also help facilitate group buys for interested participants to further reduce installation costs. Through a group purchase, it may be possible to realize additional savings compared to current market rates for individual systems. Often the more participants in a group buy, the larger the potential discount from the industry. If successful, this model will be expanded to other financial entities and large corporations in San José.

• **Qualified Energy Conservation Bond Financing for Revolving Solar Loan Fund:**

The City will explore developing a Revolving Solar Loan Fund for solar energy projects on privately owned facilities. The source of the fund would be through the issuance of currently available federal tax credit Qualified Energy Conservation Bonds (QECBs). Grant funds will pay for staff to review the feasibility of issuing QECBs for this purpose.

• **Solar Career Opportunities for Students Enrolled in Environmental Degree/Solar Training Programs and At-Risk Youth:** The City will provide opportunities for students enrolled in various local green workforce training programs to gain hands-on experience in conducting solar site evaluations and providing education and outreach on solar technologies to the community. The City will develop a program to connect disadvantaged youth with pathways to green careers with a specific emphasis on the solar industry. DOE grant award funding will be used to support City staff time, provide student interns with field tools to conduct solar site evaluations in the community and materials to prepare reports for property owners. Funding will also be used to develop short courses on the basics of solar which will be delivered to at risk youth throughout the City. Participants in these short courses will also be provided with a guide on local training opportunities and financial aid resources.

• **Green Vision Education and Demonstration Center:** The City will develop an Education and Demonstration Center (Green Vision Center) on the San Jose Redevelopment Agency (RDA) property across the street from City Hall. The Green Vision Center will act as a hub for disseminating information on solar technologies and innovative financing options, and allow the community to gain hands-on experience with solar technologies.

The Green Vision Center originally consisted of two elements: the Santa Clara University Solar Decathlon House (SCU House) and up to twelve Solar Showcase demonstration projects. Both elements were provided to the City through donation commitments from SCU, labor unions and private sector clean tech companies.

In early 2010, staff identified several issues associated with the SCU house that put the project in jeopardy. These included:

- The disorganized condition of the house after the Washington DC Solar Decathlon
- A lack of a standard operating procedure for reconstruction
- Potential high costs for moving and reconstructing the house from private sector contractors
- Ability of Santa Clara University to move/reconstruct the house

The University determined that due to the lack of availability of students involved in the original construction of the SCU House, SCU would have to withdraw their donation and participation in the project. As a result, the City will add additional Solar Showcase demonstration project provided through donations from the clean tech sector and labor unions.

The Green Vision Center will showcase technology demonstrations by local clean tech companies. The City has received commitments from eight solar companies (total \$246,400 value, but no individual donation in excess of \$100,000), local joint electrical industry fund (\$99,000 value), and the Redevelopment Agency (\$224,232), which were submitted as support for the grant application. Additional donations are under consideration. DOE grant award funding will be used to support City staff time to coordinate the set up and installation of the Green Vision Center demonstration sites, lead tours, supervise student interns, host events, and prepare and distribute marketing material for public outreach.

The grant and related in-kind match will fund 2.4 full time temporary positions as well as interns in the Environmental Services Department; supplies and materials; meeting expenses; associated marketing material; Green Vision Demonstration site permitting, setup and operations; and other non-personal costs for the six programs.

• **Permitting Best Practices:**

Permitting best practice activities were included in the City's original DOE grant proposal. Staff has negotiated with DOE to increase the initial funding award and DOE has provided San José with \$200,000 to implement permitting activities. The City will explore developing a standardized online permit process for residential solar projects meeting specific design criteria. Additionally, to ensure that City staff is up to date on the latest technology specifications, the City will work with SolarTech and the Underwriters Laboratory (UL Lab) to train and certify City building inspectors at the Lab's UL University. The City will share this information with other jurisdictions, integrators and the public through various workshops. To support the education of students enrolled in local solar training programs, City staff will provide classroom presentations on design and installation issues related to field inspections and state regulatory requirements. This will ensure that a skilled workforce installing solar in San José will enable the City to help the industry further reduce costs in the future.

**EVALUATION AND FOLLOW-UP**

The DOE grant agreement requires on-going quarterly and annual reporting. Updates on this program and other Green Vision goal activities will be provided annually as part of the American Recovery and Reinvestment Act (ARRA) and Green Vision reports.

**PUBLIC OUTREACH/INTEREST**

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**

- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

Although this item does not meet any of the criteria listed above, this memorandum will be posted on the City's website as part of the June 22, 2010 City Council Agenda.

### COORDINATION

The Solar America Cities Special Project was coordinated with the Office of Economic Development, Departments of General Services, Finance, Public Works, Transportation, Housing, City Attorney's Office, Parks, Recreation, and Neighborhood Services, Planning, Building and Code Enforcement, and the San José Redevelopment Agency.

### FISCAL/POLICY ALIGNMENT

This item is consistent with Council approved Green Vision, and Budget Strategy Memo General Principle #2, "We must focus on protecting our vital core City services."

### COST SUMMARY/IMPLICATIONS

#### 1. COST ELEMENTS OF PROJECT:

Community Education on Clean Technology Financing Programs	\$409,144
San Jose Credit Union Solar Financing Pilot--Education	\$51,360
Qualified Energy Conservation Bonds Feasibility Analysis	\$29,144
Green Vision Education and Demonstration Program	\$985,468
Solar Career Opportunities	\$233,122
Permitting Best Practices	\$287,216
<b>Total Cost</b>	<b>\$1,995,454</b>

**2. SOURCES OF FUNDING:**

<b>Grant:</b>		
Department of Energy Grant		<b>\$1,301,636</b>
<b>Grant Match:</b>		
2009-2010 City of San José Staff and Services Expenditures		\$67,141
<b>In-Kind Donations from Municipal Sources*:</b>		
RDA value of no cost lease of land/improvements		\$224,232
Public Art lamp posts		\$50,000
DOT LED streetlights		\$2,390
Private Sector In-Kind Contributions **		\$345,400
<b>Prior Year Expenditures** :</b>		
Fleet vehicle improvement/Prius upgrade		\$ 4,655
<b>Amended Total Grant Match:</b>		<b>\$693,818</b>
<b>Amended Total Project Funding:</b>		<b>\$1,995,454</b>

\*\* These items have either been donated to the City or have already been paid for. The City entities contributing these items toward the Solar Market Transformation project will not incur any additional cost for the items. The value of these items is eligible to be counted toward the fulfillment of the grant matching requirements.

**3. FISCAL IMPACT**

This project will not lead to any additional operating and maintenance costs, except as covered by the grant, and the 2009-2010 City of San José staff and services expenditures called out in the chart above. Details regarding the 2009-2010 City of San José expenditures can be found in the Budget Reference chart below.

**BUDGET REFERENCE**

Fund #	Appn #	Appn. Name	Total Appn	Recommended Funding	2010-11 Proposed Operating Budget Page	Last Budget Action (date, Ord. No.)
<b>Funding Required for Match</b>				<b>\$67,141</b>		
423	0761	Personal Services-ESD	\$6,514,157	\$34,641	XI-47	NA
001	0762	Non-Personal/ Equipment ESD	\$111,583	\$32,500	VIII-62	NA
<b>Total Funding Available</b>				<b>\$67,141</b>		

\*The 2010-11 Proposed Operating Budget is scheduled to be adopted by City Council on June 22<sup>nd</sup>, 2010.

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**CEQA**

Resolution 65459, File No. PP09-204

/s/  
JOHN STUFFLEBEAN  
Director, Environmental Services

For questions please contact Mary Tucker, Environmental Services Program Manager, at 408-975-2581