



SUMMARY REPORT

Agenda Date: 12/9/2025

To: Sonoma County Board of Supervisors

Department or Agency Name(s): Auditor Controller Treasurer Tax Collector (ACTTC) and County Executive Office (CEO)

Staff Name and Phone Number: Erick Roeser (ACTTC) 707-565-3295, Kathleen Parnell 707-565-6124, M. Christina Rivera (CEO) 707-565-2048, Rhianna Frank 707-565-6483, Terri Somers 707 565-6489,

Vote Requirement: Majority

Supervisory District(s): Countywide

Title:

Sonoma County Energy Independence Program - Commercial Only Guidelines

Recommended Action:

Approve changes to the SCEIP Program Report and Administrative Guidelines to implement the commercial only program, effective March 1, 2026.

Executive Summary:

On July 8, 2025, the Board approved a wind-down of the residential component of the Sonoma County Energy Independence Program ("SCEIP" or "Program") and continuance of the commercial component of the Program, effective March 1, 2026.

With this item, staff requests the Board approve changes to the SCEIP Program Report and Administrative Guidelines ("Program Report") to implement the Program changes approved by the Board on July 8, 2025. The changes will take effect on March 1, 2026, at which time the Program will no longer execute new assessment contracts with residential property owners.

SCEIP financing via Property Assessed Clean Energy (PACE) will continue to be available for commercial properties, including agricultural properties, industrial properties, and multi-family properties with five or more units.

Discussion:

SCEIP is a County-administered, public service program that provides financing and education services community-wide to assist in meeting the County's greenhouse gas emission reduction goals and to promote community resilience to grid power interruptions, and natural disasters such as drought, earthquakes, and wildfires. The Program provides financing to property owners, which is secured by placing a PACE assessment on their property to fund eligible improvements. The funds are then repaid through property taxes over a period of 10 or 20 years, with a fixed interest rate.

SCEIP financing is currently available to both residential and commercial property owners. On January 12, 2026, the Program will no longer accept new financing applications for residential properties. On March 1, 2026, the Program will no longer enter into new assessment contracts for residential properties. The

commercial only component of the Program will continue.

The Board approved these programmatic changes on July 8, 2025 in order to address new regulations adopted by the Consumer Financial Protection Bureau, which will impose new underwriting requirements on residential PACE programs, including making an ability-to-repay determination of a residential property owner prior to executing a residential assessment contract, including consideration of the owner's income, credit history, debts, and employment status. Given these regulations do not apply to commercial property owners, SCEIP will not need to implement them in connection with its commercial only Program. The new regulations amend Regulation Z, which was promulgated under the Truth in Lending Act (TILA), which is designed to protect individual consumers. Commercial PACE assessments are authorized by state and local laws and are not subject to the new federal consumer protection laws applicable to residential PACE.

Through Fiscal Year 2025-26, Program staff will continue to manage and support existing residential assessment contracts. This includes assisting property owners with project completion, processing fund disbursement requests, and facilitating the bonding of executed contracts. As the Program shifts exclusively to commercial, staff will shift focus towards a commercial only program.

The Auditor-Controller-Treasurer-Tax Collector recommends the Program maintain the existing financing interest rate for contracts executed by the end of the fiscal year to continue to be aligned with market yields for comparable Treasury investments with a similar average maturity. This would preserve the SCEIP financing interest rate at 7.99%, while the allocation for Program operations would remain at 4.00% and the Treasury Investment Pool would earn 3.99%.

SCEIP has been offering commercial PACE since its inception, and the commercial-only program will continue SCEIP's existing commercial financing options. A SCEIP commercial contractual assessment is available to qualified commercial properties, agricultural properties, industrial properties, and multi-family properties with 5 or more units, that wish to make improvements in six categories of improvements: water conservation, energy efficiency, seismic strengthening, wildfire safety, renewable energy generation, and authorized custom improvements. Improvement must be permanently affixed to real property, be approved by SCEIP staff prior to project commencement, and installed by a SCEIP Participating Contractor. All applications are vetted to ensure they meet the requirements outlined in the Program Guidelines and State Law.

To date SCEIP has approved and bonded 127 commercial assessments totaling \$17,637,540. Staff projects commercial bonding of \$1.1 million in FY26-27.

A comprehensive SCEIP update will be presented to your Board in March 2026, with our semi-annual bonding authorization. At that time SCEIP will have launched our Commercial Marketing Campaign, ceased acceptance of residential applications, implemented staffing changes within Energy and Sustainability, and be better positioned to present a detailed 20-year projection model.

Strategic Plan:

This item directly supports the County's Five-year Strategic Plan and is aligned with the following pillar, goal, and objective.

Pillar: Climate Action and Resiliency

Goal: Goal 2: Invest in the community to enhance resiliency and become carbon neutral by 2030

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Objective: Objective 2: Provide \$20 million in financing by 2026 that incentivizes property managers and renters to retrofit existing multi-family housing towards achieving carbon neutral buildings.

Racial Equity:

Was this item identified as an opportunity to apply the Racial Equity Toolkit?

No

Prior Board Actions:

9/23/2025 - Sonoma County Energy Independence Program Semi-Annual Bonding Authorization

7/8/2025 - Sonoma County energy Independence Program Update and Recommendations

3/18/2025 - Sonoma County Energy Independence Program Semi-Annual Bonding Authorization

9/17/2024 - Sonoma County Energy Independence Program Update and Interest Rate Determination

3/16/2024 - Sonoma County Energy Independence Program Semi-Annual Bonding Authorization

9/19/2023 - Sonoma County Energy Independence Program Semi-Annual Bonding Authorization 5/23/2023-

Sonoma County Energy Independence Program Update and Interest Rate Determination

FISCAL SUMMARY

Narrative Explanation of Fiscal Impacts:

This item is not asking for any fiscal adjustments.

STAFFING IMPACTS

Narrative Explanation of Staffing Impacts (If Required):

There is no staffing impact related to this item.

Attachments:

1: Revised SCEIP Program Report and Administrative Guidelines (REDLINE)

2: Revised SCEIP Program Report and Administrative Guidelines (CLEAN)

Related Items “On File” with the Clerk of the Board: N/A