



Sonoma County Energy Independence Program

PROGRAM REPORT AND ADMINISTRATIVE GUIDELINES



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Sonoma County Energy Independence Program

Program Report and Administrative Guidelines

I. Introduction

In July, 2008, the California Legislature approved Assembly Bill 811 (AB 811), authorizing cities and counties to establish voluntary contractual assessment programs to fund an array of conservation and renewable energy projects proposed by property owners. The California Legislature declared that a public purpose will be served by such programs, giving local governments the authority to finance the installation of distributed generation renewable energy sources – such as solar – and energy efficiency improvements that are permanently affixed to residential, commercial, industrial, agricultural, or other real property, thereby making such improvements more affordable and promoting their installation. Because water use and energy use are closely linked, the California Legislature also authorized financing water conservation improvements.

In 2009, the Sonoma County Board of Supervisors created the Sonoma County Energy Independence Program (“SCEIP” or “Program”). The SCEIP works at the request and with the consent of property owners to provide financing for eligible improvements. Property owners repay SCEIP financing through an assessment levied against their property which is payable in semi-annual installments on property tax bills. SCEIP financing was originally limited to water conservation, energy efficiency and renewable energy generation improvements.

In 2011, the California Legislature approved the Seismic Safety Finance Act (AB 184), codified as Section 5899 of the California Streets and Highways Code, effective January 1, 2012, which authorizes contractual assessment programs to finance the installation of seismic strengthening improvements that are permanently fixed to residential, commercial, industrial, agricultural, or other real property to make them more resistant to seismic activity, ground motion, or soil failure due to earthquakes.

Additionally, in 2018, the California Legislature approved the Wildfire Safety Finance Act (SB 465), codified as Section 5899.4 of the California Streets and Highways Code, effective January 1, 2019 and extending through January 1, 2029, which authorizes voluntary contractual assessment programs to finance the installation of wildfire safety improvements that are permanently fixed to existing residential, commercial, industrial, agricultural, or other real property.

In 2019, the Sonoma County Board of Supervisors expanded the SCEIP to provide financing for both seismic strengthening and wildfire safety improvements.

Currently, the SCEIP will provide financing to property owners within the County for water conservation, energy efficiency, seismic strengthening, wildfire safety, and renewable energy generation improvements under contractual assessment agreements.

A. Goals.

The SCEIP will help property owners of improved real property make principled investments in the long-term health of the local, state, and national economy and global environment by providing a long-term financing mechanism for water conservation, energy efficiency, seismic strengthening, wildfire safety, and renewable energy generation improvements.

The SCEIP provides multiple benefits. By enabling property owners to take responsible energy, water conservation, and construction hardening actions, the SCEIP will reduce their utility bills¹ and improve the resiliency of their buildings. At the same time it boosts the local economy, the California power grid, national and global energy interests, and makes it possible for Sonoma County to fulfill energy and water conservation and climate protection commitments.

Sonoma County and each of its incorporated cities and towns (collectively the “Cities”) have established a goal to reduce their greenhouse gas emissions 25% below 1990 levels by 2015. This Program will help the Cities and the County reach their goals. The County, the Cities, the Sonoma County Water Agency, the Sonoma County Transportation Authority/Regional Climate Protection Authority and the Sonoma County Agricultural Preservation and Open Space District are members of the Regional Climate Protection Coordination Plan (“RCPCP”) with the goal of coordinating efforts to reduce countywide greenhouse gas (“GHG”) emissions.

B. Program Benefits.

From the County’s perspective, the SCEIP will be a key element in achieving GHG reduction goals. The SCEIP provides a significant tool for funneling more resources into the shift to greater efficiency, renewable energy use, and energy independence. Lower energy use translates directly into reduced greenhouse gas emissions and helps secure our energy future. Reducing water use helps conserve our finite water supply and saves even more energy. In addition, construction hardening can make properties and the County as whole more resilient to wildfire and seismic events and may also result in

¹ SCEIP staff does not provide energy evaluations, and SCEIP does not guarantee savings on utility bills. SCEIP highly recommends that a property owner consult with PG&E or other trained professionals to ensure that the proposed Improvements satisfy the property owner’s energy-saving goals.

prevention of greenhouse gas emissions through durability of structures. In addition, the Program creates or retains jobs in the building industry.

For property owners, the SCEIP offers a no-money-down means of financing water conservation, energy efficiency, seismic strengthening, wildfire safety, and renewable energy generation improvements, fixed-rate financing over a number of years, a streamlined financing and repayment process, and access to financing that may not readily be available through traditional means, such as home equity loans.

C. Program Administration.

The Auditor-Controller Treasurer-Tax Collector is designated as the Program Administrator and is authorized to enter into contractual assessments on behalf of the County. The Program Administrator will oversee professionals from the Auditor-Controller Treasurer-Tax Collector's Office and County Administrator's Office ("SCEIP staff") in administering SCEIP.

The SCEIP office is located at 2300 County Center Drive, Suite A105, Santa Rosa, California and operates as a storefront where the public can speak with SCEIP Staff and apply for funding to the SCEIP. The SCEIP website is at www.sonomacountyenergy.org/financing.

SCEIP staff responsibilities will include:

- Community outreach;
- Responding to property owners' inquiries;
- Processing applications;
- Managing and tracking funds available for the SCEIP;
- Tracking individual and collective energy conservation; and
- Working and coordinating with participating jurisdictions.

II. Program Requirements

A. Program Report.

In establishing and subsequently expanding the SCEIP, the County prepared this report setting out how SCEIP will function (the "Program Report")². The Program Report is the guiding document for the SCEIP and fulfills the statutory requirements that this report contain:

² See California Streets and Highways Code Section 5898.22.

- A map showing the boundaries of the territory within which contractual assessments are permitted;
- A draft assessment contract between a property owner and the County;
- Program policies concerning contractual assessments, including: a list of eligible improvements; identification of the County official authorized to enter into contractual assessments on behalf of the County; maximum aggregate dollar amount of contractual assessments; a method for setting priority for applications in the event that requests appear likely to exceed the authorization amount; and a description of SCEIP's eligibility requirements;
- A plan for funding the SCEIP; and
- Information on the County's cost of placing assessments on the tax roll.

B. Geographic Parameters.

The County offers the SCEIP throughout its jurisdiction. All cities and towns within the County have agreed, through Cooperative Agreements, to authorize properties within the incorporated area to be included in the SCEIP and permit voluntary assessments to be established within their jurisdictions for water conservation, energy efficiency, renewable energy generation, seismic strengthening and wildfire safety improvements.

A map showing the County's boundaries, being the area within which the SCEIP is offered, is attached as Appendix B.

C. Eligible Property Owners and Eligible Properties.

Property owners may be individuals, associations, business entities, cooperatives, and virtually any owner who pays secured real property taxes. Certain eligibility criteria must be satisfied. Financing may be approved if the following criteria are met:

- Property Title is vested in the applicant(s), without federal or state income tax liens, judgment liens, or similar involuntary liens on the property;
- All property taxes for the subject property are current for the previous three years (or since property owner took ownership if less than three years). Property owner is current on all property taxes for any other properties owned in Sonoma County;

- Property owner is not in bankruptcy and the property is not an asset in a bankruptcy proceeding³;
- Property owner is current on all mortgage(s).⁴ For commercial property,⁵ lender has signed a Lender Acknowledgement of Owner Participation form regarding the SCEIP financing;
- Improvement costs are reasonable to property market value.⁶ For residential properties, the total amount of requested funding is less than 10% of the market value. As a guideline for commercial properties, proposed improvements should not exceed 10% of market value. If the proposed project exceeds this guideline or otherwise does not appear prudent when compared to the property's value, the Program Administrator will require additional information supporting both the reasonable relationship of the improvements to the property and information related to the ability of the property owner to repay the assessment. These applications are reviewed on a case-by-case basis;
- Home and condominium owners must conform to Homeowners Association policies; and
- Total annual property taxes and assessments due on the property cannot exceed 5% of the property's market value, as determined at the time of approval of the contractual assessment.

The SCEIP financing is not currently available for properties that are not subject to secured property taxes, such as governmental entities and certain non-profit corporations, or for mobile homes that are not affixed to real property and subject to secured property tax.

Property owners may make more than one application for funding under the SCEIP if financing additional water conservation, energy efficiency, seismic strengthening, wildfire safety, and renewable energy generation improvements are desired by the owner, and if the total requested financing amount of all applications falls within program guidelines.

³ If property owner has been in bankruptcy in the past three years, the bankruptcy must have been concluded at least one year before application was filed. In addition, all lien payments due on the property must have been timely paid during the six months preceding the application.

⁴ If property is subject to loan modification because of default or delinquency, the loan modification must have been completed at least one year before application was filed. In addition, all mortgage payments due on the property must have been timely paid during the six months preceding the application.

⁵ For SCEIP, "residential property" is defined as single-family properties with 1-to-3 residential units; "commercial property" is all other property.

⁶ Property market value ("property value" or "market value") is determined by an Automated Valuation Model for residential properties up to \$1.5 million, or an appraisal by a California certified real estate appraiser, or a Broker's Price Opinion, or a Fair Market Analysis Report performed by a California licensed broker. For commercial properties only, a signed lender acknowledgement form.

D. Eligible Equipment.

The SCEIP affords property owners in Sonoma County the opportunity to take advantage of a wide range of improvements, consistent with the following provisions:

(1) The SCEIP financing is intended principally for retrofit activities to replace outdated inefficient equipment and to install new equipment that reduces energy consumption, produces renewable energy, or reduces energy use through water conservation. However, the SCEIP financing is also available for purchasers of new homes and businesses that wish to add water conservation, energy efficiency, seismic strengthening, wildfire safety, and renewable energy generation after taking title to the property. SCEIP financing is also available to add energy efficiency, renewable energy, and water conservation improvements to newly constructed owner-occupied properties.

(2) SCEIP provides financing only for improvements that are permanently affixed to real property.

(3) SCEIP provides financing only for improvements specified in Appendix A. Broadly, these include:

- (a) Water conservation improvements;
- (b) Energy efficiency improvements;
- (c) Seismic strengthening improvements;
- (d) Wildfire safety improvements;
- (e) Renewable energy generation; and
- (f) Custom improvements.⁷

A detailed list of improvements is set out in SCEIP's Eligible Improvements list. These are collectively referred to herein as "Eligible Improvements".

SCEIP financing is also available for projects that combine Eligible Improvements, such as bundling of water conservation, energy efficiency, seismic strengthening, wildfire safety, and renewable energy generation improvements. For instance, a property owner may choose to replace an aging and inefficient furnace, install seismic bracing, install high efficiency toilets and install a photovoltaic system.

⁷ Large scale commercial or industrial projects requiring engineering design and meeting the financing threshold (>\$500,000) requiring approval by the Board of Supervisors **or** projects involving emerging technologies for improvements that provide new ways to save or generate energy will be evaluated on a case-by-case basis.

E. Eligible Costs and Program Fees.

(1) Project Costs. Eligible costs of the Eligible Improvements include the cost of equipment and installation. Installation costs may include, but are not limited to, energy evaluation consultations, labor, design, drafting, engineering, permit fees,⁸ and inspection charges.

The installation of Eligible Improvements can be completed by a participating contractor⁹ of the property owner's choice. Eligible costs do not include labor costs for property owners that elect to do the work themselves.

Property owners who elect to engage in broader projects – such as home or business remodeling – may only receive SCEIP financing for that portion of the cost of retrofitting existing structures with water conservation, energy efficiency, seismic strengthening, wildfire safety, and renewable energy generation improvements. Property owners who elect to engage in new construction on properties intended for owner occupancy may only receive SCEIP financing for water conservation, energy efficiency, and renewable generation SCEIP-eligible improvements, except to the extent that construction is required for the SCEIP-eligible improvement. Seismic strengthening and wildfire safety improvements may only receive SCEIP financing for the retrofit of existing structures. Repairs on any property and/or new construction on properties that are not intended for owner occupancy do not qualify for SCEIP financing except to the extent that the construction is required for the SCEIP-eligible improvement. Repairs to existing infrastructure, such as water and sewer laterals, are considered repairs and are not eligible.

The value of expected rebates¹⁰ but not the value of expected tax credits will be deducted from SCEIP financing.

SCEIP staff will determine whether the estimated equipment and installation costs are reasonable. SCEIP staff will evaluate market conditions and may require the property owner to obtain additional bids to determine whether costs are reasonable. While the property owner may choose the contractor, the amount available for SCEIP financing will be limited to an amount determined reasonable by SCEIP staff, and may be reviewed by the Program Administrator. The Sonoma County Board of Supervisors will review all projects greater than \$500,000.

⁸ All improvements, including those normally exempt from permit requirements, will require a permit from the local jurisdiction (town, city, unincorporated area). Each jurisdiction sets its own permit fees. Final inspection by a building inspector will ensure that the Improvements were completed.

⁹ A SCEIP participating contractor is one who has signed the SCEIP Contractor Standards and furnished required supporting documentation. These contractors are listed on the SCEIP website.

¹⁰ "Expected rebates" do not include rebates (1) that are contingent on performance of the improvement after installation or (2) that are not available to the property owner at or shortly after completion of the project, so as to be available for use to pay for the project.

(2) Program Fees. The following program fees will be the responsibility of the property owner. The annual assessment fee will be included on the annual tax statement. The other fees must be paid at the time they are incurred.

- (a) Title costs, including title insurance, where required. Regular title costs are currently \$50 for projects under \$5,000, and \$140 for projects \$5,000 to \$500,000. Projects greater than \$500,000 will require title insurance.
- (b) Recording fees for documents required to be recorded, which include the Notice of Assessment and Payment of Contractual Assessment Required, are set by state law and the Recorder's Office. The fee for recording the Notice of Assessment and Payment of Contractual Assessment Required is currently \$41.00. Should a property owner decide to pay off the assessment prior to full maturity, the recording fee for the lien release fee is currently \$50.00.
- (c) Assessment collection and processing costs will be added to the annual assessment on property tax bills. These costs were \$40 for fiscal year 2009/2010, and are annually adjusted for cost of living increases using the U.S. Department of Labor, Bureau of Labor Statistics, and Consumer Price Index for all urban consumers for the Northern California counties. This cost was determined after consultation with the County Auditor-Controller Treasurer-Tax Collector's Office and third party assessment contractor.
- (d) Multiple disbursements are projects installing an improvement \$40,000 and greater or lesser projects that involve separate improvements completed by separate SCEIP participating contractors. Multiple disbursement projects will begin to accrue interest on the entire assessment amount at the time of the first disbursement. There are two conditions under which property owners can receive multiple disbursements. The first is an inspection conducted by SCEIP staff to ensure that 75% of the materials for the project, on a cost basis, are secured on the property. Projects requesting an inspection will be subject to a fee of \$150 per disbursement. The second condition under which multiple disbursements can be received is when a project entails multiple improvements and/or multiple contractors. Disbursement can be made for the portion of the work completed, as long as a final invoice and a final, signed off permit for the completed scope of work is provided. No onsite inspection fee required. A detailed summary of the SCEIP financing process is attached as Appendix E.
- (e) There is a cost of \$16.50 to determine the market value of a residential property, using an automated valuation tool.

(3) Escrow fees. Some large projects, or projects with multiple contractors, may benefit from funding through an escrow process. If this process is selected by the property owner, the owner would select an escrow agent, and after the Assessment Contract is signed, the amount approved would be funded into the escrow account. Escrow instructions governing release of the funds would need to be approved by the Program Administrator. All fees related to this process would be the responsibility of the property owner but could be requested as part of Program funding. As in the Multiple Disbursement Assessment Contract, interest on the full amount of the requested disbursement will begin to accrue as soon as the escrow is funded. Any amount not needed at the completion of the project will be released from escrow to the County and deducted from the amount of the assessment lien. All projects over \$500,000 must utilize an escrow process. The escrow requirement may be waived if the project is financed by a third-party investor, in which case the property owner remains responsible for the SCEIP fees and charges.

F. Refunds of Costs and Fees.

If an applicant(s) exercises the Right to Cancel within the rescission period following contract signing, the costs associated with the recording fees will be refunded. No fees or costs will be refunded for an Application withdrawn before contract signing or after the right of rescission period.

G. Administrative Costs.

The County may elect to cover all or a portion of the SCEIP costs through the “spread” between the County’s interim funding source interest rate and the SCEIP financing interest rate paid by the property owner. Similarly, the County may elect to recover the SCEIP costs through a spread between bond rates and assessment rates, or the spread between interest rates of any financial vehicle.

III. TRACKS for Participation

There are six categories or “tracks” of technologies under which property owners may participate in the SCEIP. Eligible Improvements must meet specified minimum efficiency standards, as applicable. A complete list of approved improvements is set out in the Eligible Improvements List, which may be updated from time to time.

A. The Water Conservation Track.

The Water Conservation Track covers a wide range of water conserving fixtures, including high efficiency toilets, low flow shower heads, and irrigation controllers.

B. The Energy Efficiency Track.

The Energy Efficiency Track covers a wide range of energy efficiency fixtures, including windows and doors, attic insulation and HVAC equipment that are Energy Star rated. Packaged and central air conditioning systems must meet specified minimum efficiencies as specified in the Eligible Improvements list.

C. The Seismic Strengthening Track.

The Seismic Strengthening Track covers strengthening and anchoring projects.

D. The Wildfire Safety Track.

The Wildfire Safety Track covers construction hardening and fire-wise projects.

E. The Renewable Energy Track.

The Renewable Energy Generation Track covers renewable energy generation projects

F. The Custom Improvement Track.

The development of technologies is encouraged by the SCEIP as a means of diversifying the County's energy sources. The Custom Improvement Track will evaluate and provide funding, if appropriate and authorized under state law, for innovative projects.

Applicants for the Custom Improvement Track should consult with the SCEIP staff to determine eligibility and will be required in most cases to submit engineering plans and specifications for review and approval. The Program Administrator, or designated staff, will approve the Custom Improvement Track application on a case-by-case basis, and may request consultation from outside technology experts in making this decision. The applicant would be expected to bear the cost of such consultation. Cost reimbursement will be discussed with the applicant before the project is reviewed.

IV. Water Conservation, Energy Surveys, and Solar Site Checks for Improvements to Existing Construction

A. Residential Properties.

By participating in the SCEIP, the property owner is investing in the future, by making improvements to their property that will lead to reduced energy usage and reductions in greenhouse gas emissions. The property owner is also making a financial investment; this decision should be made based on considerations regarding the energy efficiency, durability, comfort, health, and the cost effectiveness of the improvements.

Conducting an energy audit will help property owners assess water conservation, energy efficiency, and renewable energy opportunities for their property. A minimum of an online self-evaluation of household energy efficiency is required for participation in the SCEIP to assess water conservation, energy efficiency, and renewable energy generation opportunities for the property.

Alternatively, on-site water conservation and energy efficiency evaluations are highly recommended but not required. Residential property owners can obtain an onsite survey by hiring a Home Energy Rating System (“HERS II”) Rater, or equivalent. For more information, go to <https://www.energy.ca.gov/programs-and-topics/programs/home-energy-rating-system-hers-program>. Property owners can also check with their local water provider to see if free water conservation surveys are available.

SCEIP financing is available for home energy analyses. Various rebates may also be available. An energy analysis is a science-based approach to identifying specific ways to improve a home’s energy efficiency and comfort and save money. It can also provide an energy rating for the home. The analysis will assess heating and cooling systems, water heating system, insulation, and major appliances.

Onsite energy analyses and ratings can provide the property owner valuable information on how to maximize energy savings for the dollars invested. The Rater will conduct an on-site analysis of the property and rate the condition of the building and recommend an energy savings improvements priority list, which will provide the greatest benefit for the money invested. These analyses and ratings also provide valuable data on energy usage, savings and GHG emissions reductions, all of which are goals of the SCEIP.

B. Commercial Properties.

A utility onsite energy evaluation is required for commercial properties. Most utility companies offer free onsite evaluations for commercial properties to help property owners determine the most cost-effective and efficient route to maximize investment and energy savings. At a minimum, the utility shall provide an individual report tailored to the business describing energy-saving opportunities and analysis of potential savings. Commercial property owners can also obtain an energy analysis and may include the cost in the application for the SCEIP financing. Property owners should also check with their local water provider to see if free water conservation surveys are available.

V. Program Parameters

A. Minimum Financing Amount and Duration of Assessment.

The SCEIP Assessment Contracts are available for up to 20-year terms to accommodate a wide range of Eligible Improvements. The minimum amount for a SCEIP Assessment Contract is \$2,500. All Assessment Contracts below \$5,000 are subject to a 10-year assessment repayment period. Assessments \$5,000 and over are subject to a 10- or 20-

year assessment repayment period, requested by the property owner, and agreed to by the Program Administrator or designated Program staff.

B. Maximum Financing Amount.

Improvement costs must be reasonable to property value; however, there is no fixed maximum “cap” for a SCEIP Assessment Contract. All contracts for amounts \$75,000 to \$500,000 must be approved by the Program Administrator and may require additional documentation. The SCEIP Assessment Contracts for amounts over \$500,000 must be approved by the Board of Supervisors.

The SCEIP financing will be disbursed directly to the property owner after improvements are completed and final documentation is submitted to the SCEIP Staff.

C. Maximum Portfolio.

The County initially funded the SCEIP with a commitment of up to \$45 million. The County will explore other financing opportunities, with the goal of expanding the SCEIP to \$100 million.

D. Assessment Interest Rate.

The Program Administrator will set the interest rate for a SCEIP Assessment Contract at the time the County and property owner enter into the contract. The interest rate will be fixed at that point and will not go up.

The interest rate for the SCEIP will be determined periodically by the Program Administrator with the approval of the Board of Supervisors. The interest rate will be set with the intention of creating a self-sustaining program at a rate that is competitively priced compared to financing options available through banking or other financial institutions, balanced with the ability to remarket the securities and encourage the future liquidity of the SCEIP.

On May 23, 2023, the Board of Supervisors approved a contract interest rate of 7.49 percent, effective July 1, 2023.

E. Property Assessment Lien.

All property owners must sign and notarize the SCEIP Assessment Contract and Implementation Agreement (“Contract Documents”). Upon execution of the Assessment Contract, the SCEIP records an assessment lien against the Property in the office of the Program Administrator, Clerk of the Board and County Recorder’s office. The lien will be for the full amount of the assessment on the property that secures the assessment. The assessment will include a component of interest on the amount disbursed to the property owner that accumulates from the disbursement date through the next September 1.

F. Delinquent Assessment Collections.

Delinquent assessments will be collected using the laws and powers authorized under state statutes for collecting property taxes and assessments. Delinquent assessments will be collected and allocated under the Teeter Plan¹¹, in accordance with state statutes. Where bonds have been sold to finance assessments, state law also allows delinquent assessments to be collected through foreclosure proceedings to protect bondholders.

G. Contingency Financing.

If a request for funding is less than \$40,000, an applicant may include a 10% contingency on the cost of the improvement, excluding permit, engineering and other similar costs, in the request for funding. If the improvement cost is \$40,000 or greater, a 10% contingency cannot be financed.

VI. The Financial Strategy

The County Treasurer will establish the Sonoma County Energy Independence Program Fund (the "SCEIP Fund") and may accept funds from any available source and may disburse the funds to eligible property owners for the purpose of funding Eligible Improvements. Repayments will be made pursuant to Assessment Contracts between the property owners and County and will be collected through the property assessment mechanism in the County property tax system and included in the Sonoma County Teeter Plan.

The County will manage the SCEIP in one enterprise fund with multiple sub-funds. It is necessary to ensure that financings equal the County's receivables. Likewise, it is necessary to separate County funds for repaying bonds, etc. to ensure funds are available when payment is due. The Auditor-Controller Treasurer-Tax Collector has the authority to develop the necessary accounting structure needed to run the SCEIP.

The Sonoma County Financing Authority (the "Authority") is a joint powers agency formed to assist the County with financings. The County and the Authority intend to cooperate in a financing arrangement whereby the Authority issues a bond or a series of bonds in an amount not to exceed the Maximum Portfolio established in Section V(C). The aggregate amount of bonds held by the Sonoma County Treasury on behalf of the Treasury Pool at any time may not exceed three percent of the total Treasury Pool (\$45 million).

An example of a possible financing arrangement is briefly described below.

¹¹ The Teeter Alternative Method (Teeter Plan) of property tax distribution means that 100% of a taxing jurisdiction's taxes are given to them during the year (regardless of delinquencies) and in exchange for that the County collects the delinquent fee and the interest on the delinquent taxes/assessments. The SCEIP assessment is included in this program so in essence SCEIP has no delinquency because the assessment is 100% funded by the County.

When the County is ready to advance funds to property owners in connection with a designated group of assessment contracts (i.e., the improvements have been completed and inspected), the Authority will issue a bond (the “bond”) in a principal amount equal to the aggregate amount to be advanced by the County pursuant to the assessment contracts. The Treasury will purchase the bond from the Authority.

The Authority will make a loan (the “loan”) of the bond proceeds to the County pursuant to a loan agreement between the County and Authority (the “loan agreement”). The County will use the bond proceeds to advance moneys to the property owners pursuant to the assessment contracts. The loan agreement will provide for the County to repay the loan from the assessments received by the County pursuant to the assessment contracts (excluding the annual administrative assessments to be paid by the property owners). In turn, the resolution authorizing the issuance of the bond will provide that the Authority will repay the bond from the loan payments paid by the County pursuant to the loan agreement.

Each year, the County may use assessment revenues in excess of the amounts needed to repay the loan to fund a reserve account and a program expense account. Moneys in the reserve account will provide additional security for the repayment of the loan. Moneys in the SCEIP expense fund may be used to pay or reimburse the County for expenses to administer the SCEIP. The County may use surplus funds, which remain after the payment of the Bond at maturity or upon early redemption for any lawful purpose for the SCEIP.

The County will use revenues from the annual administrative assessment provided for in each assessment contract to pay for the administrative expenses of the County and Authority in connection with the bond and the collection of the assessments. It is anticipated the administrative assessment will be a nominal amount, to cover the cost of the assessment administrator and the Auditor-Controller-Treasurer-Tax Collector’s cost in placing the charge on the tax roll.

For long-term and additional financing, the Program Administrator will explore funding opportunities from a number of other potential funding sources, and combinations of sources, which may include but are not limited to additional funding from any funds under the control of the Board of Supervisors and Board of the Water Agency, the issuance of notes, bonds, or agreements with utilities or public or private lenders, other governmental entities and quasi-governmental entities such as SCERA, CALPERS, Nationwide Retirement Solutions, or any financing structure allowed by law .

Initially, 50 percent of the funds will be reserved for the SCEIP assessment contracts for residential property owners. The Program Administrator may adjust that allocation to not less than 30 percent of the funds to be reserved for residential property owners and not more than 70 percent of the funds to be reserved for all other property owners. The Program Administrator will report on program progress to the Board of Supervisors and County Administrator every six months at a minimum, providing the Board of Supervisors

with the information necessary to further adjust this allocation to match Program participation, with recommendation from the Program Administrator.

The Program Administrator and County Administrator have the authority to establish a SCEIP budget to be ratified by the Board of Supervisors.

VII. PACE Loss Reserve Program

The SCEIP's intention is to participate in the statewide CAEATFA PACE Loss Reserve Program ("Loss Reserve"), authorized by the California Legislature's Senate Bill 96 (2013), so long as the SCEIP is eligible under CAEATFA's regulations. The Loss Reserve is intended to make first mortgage lenders whole for any direct losses incurred due to the existence of a PACE assessment on a property in a foreclosure or forced sale for unpaid property taxes. Additionally, by tracking the performance of PACE portfolios over a long period of time, the Loss Reserve should provide more detailed information on the actual credit risk associated with PACE financing than is currently available. This information will be useful for potential investors in PACE bonds and securities and may allow them to accept lower returns on these investments.

The Loss Reserve covers two types of losses for mortgage lenders: (1) PACE payments made while a first mortgage lender is in possession of a foreclosed home, along with penalties and interest if accrued through no fault of the lender, and (2) any losses to a first mortgage lender up to the amount of outstanding PACE assessments in a forced sale for unpaid taxes or special assessments. To the extent the SCEIP is eligible to participate in the Loss Reserve, the SCEIP will submit claims for any such losses to CAEATFA and either accept payment from the Loss Reserve as a reimbursement or as a pass-through to the first mortgage lender and comply with CAEATFA's reporting requirements. The Loss Reserve currently consists of \$10 million of state funds.

VIII. Changes to Report

The Program Administrator may make changes to this Report that the Program Administrator reasonably determines are necessary to clarify its provisions. Any changes to this report that materially modify the Sonoma County Energy Independence Program shall only be made after approval by the County Administrator and Board of Supervisors.

The Program Administrator may modify from time to time the Eligible Improvements List, Application, and Contract Documents attached hereto as Appendix A, Appendix C and Appendix D, respectively, as deemed necessary by the Program Administrator to effectuate the purposes of the SCEIP. In addition, the Program Administrator may, in consultation with the SCEIP Steering Committee and County Counsel, waive specific eligibility requirements or program procedures on a case-by-case basis so long as any such waiver is consistent with applicable law and furthers the purposes of SCEIP.

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Sonoma County Energy Independence Program

Appendix A – Eligible Improvements

The SCEIP offers funds for a number of equipment types, including water conservation improvements, energy efficiency improvements, seismic strengthening improvements, wildfire safety improvements, renewable energy generation systems, and other innovative custom improvements that comply with state law. In each case, if a rebate is available to the property owner to be applied to the purchase price, that amount generally must be deducted from the amount of financing requested as described in Section II (E). A comprehensive list of eligible improvements is available on the SCEIP website.

1. Water Conservation Improvements

The distribution and treatment of water accounts for 20% of the energy used in the state of California. Because of this embedded energy use, water conservation projects are an important part of energy savings goals and reap rewards in both energy and water savings. Water conservation projects are available for funding for both residential and commercial customers and include simple improvements such as high efficiency toilet retrofits, and more complex projects appropriate for large commercial processing and manufacturing uses.

2. Energy Efficiency Improvements

SCEIP provides services and funding for a wide range of Energy Star®-rated efficiency improvements, including many energy efficiency improvements for which property owners can get rebates as well as SCEIP funding. All efficiency improvements must meet the performance criteria stated in the list of eligible improvements or the Energy Star minimum efficiency levels.

All other proposed efficiency improvements will be considered in the Custom Improvement Track (see below).

The County of Sonoma anticipates that Energy Star® requirements will “ratchet up” to greater efficiency levels over time. Energy Star® will also become more inclusive of technologies over time. Thus, the SCEIP will evolve with Energy Star and the market for energy-efficient technologies.

3. Seismic Strengthening Improvements

Seismic strengthening improvement funding is available for existing buildings to make them more resistant to seismic activity, ground motion, or soil failure due to earthquakes. Examples of seismic improvements include strengthening of cripple walls and sill plate anchorage of light, wood-framed buildings.

4. Wildfire Safety Improvements

Wildfire safety improvement funding is available for existing buildings and includes a range of equipment, systems, and technology that meet ignition-resistant, ember-resistant, or non-combustible material ratings. Improvements include roofing, siding, eaves, soffits, decks, windows, roof gutters and gutter enclosures, vents, and hardscaping. Under current legislation, the SCEIP financing can only be used for these types of wildfire safety improvements until January 1, 2029.

5. Renewable Energy Generation Equipment

Renewable energy generation track funding is available for a wide range of equipment, including fuel cells and wind turbines. SCEIP funding will be available for photovoltaic equipment and installers listed by the California Energy Commission. Solar thermal equipment must be rated by the Solar Rating Certification Council (SRCC). Eligible generation equipment for both residential and commercial properties can be found on our eligible improvements list.

6. Custom Improvements

The Custom Improvements Track is a process by which the SCEIP staff can evaluate and fund projects that are not “off the shelf” improvements on the SCEIP eligible improvements list. These custom projects may involve large scale industrial or commercial energy efficiency improvement projects, such as process or industrial mechanical systems, renewable energy sources and renewable energy generation, other than the solar system (photovoltaic), such as geothermal, and potentially fuel cells, as well as more complex and cutting edge energy management solutions and emerging technologies. SCEIP staff will evaluate and provide funding, if appropriate and authorized under state law, for these innovative projects.

Applicants for the Custom Improvement Track should consult with SCEIP staff to determine eligibility and will be required in most cases to submit engineering plans and specifications. The SCEIP steering committee¹² will meet to review the engineering documents and data for custom and emerging technology projects. SCEIP may require an additional administrative fee for project evaluation by the technical review. In all cases, SCEIP reserves the right to decline funding of a custom improvement.

As “Custom Improvements” become Energy Star rated they will be included in the list of eligible improvements.

¹² The steering committee is a SCEIP advisory committee comprised of members with legal, operational, and financial backgrounds.

Sonoma County Energy Independence Program
Appendix C – Application

Document available online at www.sonomacountyenergy.org/financing

Sonoma County Energy Independence Program
Appendix D – Contract Documents

The following contract documents are available online at
www.sonomacountyenergy.org/financing

Assessment Contract – Single Disbursement
Implementation Agreement – Single Disbursement

Assessment Contract – Multiple Disbursements
Implementation Agreement – Multiple Disbursements

Sonoma County Energy Independence Program **Appendix E – Summary of Financing Process**

The Sonoma County Energy Independence Program provides financing for the installation of energy efficiency improvements, water efficiency improvements, seismic strengthening improvements, wildfire safety improvements, and renewable energy generation projects permanently fixed to real property (“Improvements”) in Sonoma County. Property owners repay SCEIP Financing through an assessment on their property payable in semi-annual installments on their property tax bills.

A. Project Scoping

The first step in the process is project scoping. By participating in SCEIP, property owners are making a financial investment; this decision should be made based on both the efficiency, durability and the cost effectiveness of the improvements.

Most property owners work directly with contractors to determine the scope of their project.

As the project is defined, the property owner obtains a contractor’s bid¹³ or determines the cost of the equipment if self-installing.

Interested property owners can visit the SCEIP office, located at 2300 County Center Drive, Suite A105 Santa Rosa, California 95403 or contact SCEIP professionals (“SCEIP Staff”) at (707) 565-6470 or sceip@sonoma-county.org.

B. Program Application

The property owner visits the SCEIP website (www.sonomacountyenergy.org/financing) or the SCEIP office to complete a SCEIP application form (the “Application”). The SCEIP staff can also provide an Application by mail, e-mail or fax upon request.

The property owner submits the Application together with its required attachments. See Application for required attachments.

Applications will be processed once complete on first-come, first-served basis.

¹³ Two bids are required if the selected contractor is not a local contractor, as determined by the Program Administrator. One bid must be from a local contractor. If the selected contractor is local, only one bid is necessary. The selected contractor(s) must be on the SCEIP Participating Contractor list in order for the project to be funded.

C. Application Review

During the Application Review process, the SCEIP staff verifies that:

- a. The Application is complete and accurate;
- b. All SCEIP eligibility requirements are met¹⁴; and
- c. The SCEIP funding is available.

Within 3 business days of receipt of an application, the SCEIP Staff notifies the property owner if the application is incomplete. An application shall be deemed incomplete if it is missing any information or attachments the property owner is required to provide.

An application shall be approved if the SCEIP Staff have verified that the application is complete and accurate, meets all the SCEIP requirements, and SCEIP funding is available.

An application shall be deemed denied if the SCEIP Staff cannot verify that the application meets all the SCEIP requirements.

Applications for the SCEIP financing for amounts from \$75,000 to \$500,000 require approval of the Program Administrator. The property owner will be notified that the application is complete and has been forwarded to the Program Administrator for approval. Applications for the SCEIP financing for amounts greater than \$500,000 require approval of the Board of Supervisors. The property owner will be notified that the application is complete and has been forwarded to the Program Administrator to prepare an agenda item for the Board of Supervisors. The property owner will be advised once a Board of Supervisors date is set.

With respect to an application to finance a renewable energy generation system(s) other than solar (such as wind or geothermal) or a custom energy efficiency measure(s) (such as a combined heat and power system cogeneration system), or to finance an emerging technology ("Custom Measures"), the SCEIP Staff reserve the right to require the appropriate engineering documentation and energy studies showing the energy savings and/or energy generation capabilities of the proposed project. The SCEIP Staff may also charge an additional administrative fee for this technical review to be discussed with the property owner before proceeding.

D. Assessment Contract and Implementation Agreement

All property owners must sign and notarize the SCEIP Assessment Contract and the Implementation Agreement. After the right of rescission period expires following execution of the Contract Documents, the SCEIP Staff will issue a Notice to Proceed to

¹⁴ Eligibility requirements may be found on the [SCEIP website](#)

the property owner, and the program will place a lien for the full amount of the assessment on the property that secures the assessment.

E. Assessment Lien

Upon execution of the Assessment Contract, the SCEIP records an assessment lien against the Property in the office of the Program Administrator, Clerk of the Board and County Recorder's office. The lien will be for the full amount of the assessment on the property that secures the assessment. The Assessment will include a component of interest on the amount disbursed to the property owner that accumulates from the disbursement date through the next September 1.

F. Installation of Improvements

Property owner enters into a contractual arrangement directly with a contractor for Improvements unless the property owner is self-installing the Improvements. All work is subject to the appropriate jurisdiction's (county, city, or town) permitting and inspections and all other applicable federal, state, and local laws and regulations. All work must be completed, including the final inspection, within 90 days of execution of the Assessment Contract. The property owner and the Program Administrator may agree to an extension of this completion date for good cause.

G. Progress Payments/Multiple Disbursements

If the maximum assessment amount is \$40,000 or greater, the property owner may request in writing that the SCEIP make progress payments prior to the completion of the project. An applicant may request one or more interim disbursements if 75% of materials, on a cost basis, have been delivered and secured onsite. If space constraints do not allow the contractor to store materials on-site, a dedicated secured off-site location is acceptable. Following an inspection to verify this, the program will fund up to 50% of the total approved amount.

If the interim disbursement option is used to issue payment based on the delivery of material only, a \$150 charge per additional payment will be required to be paid by the property owner. This charge is used to pay for the SCEIP staff site visits to inspect and verify that the materials for which the payment is being requested has been completed and to process the additional payment.

Alternatively, if a project includes multiple contractors and/or multiple improvements, multiple disbursements may be made upon completion of an individual improvement for which a contractor has a final, signed-off permit for that improvement. No onsite inspection is required when a final permit can be provided.

H. Final Inspections & Disbursement of the SCEIP Financing

After Improvements are completed, the Property owner must contact the local permitting agency for a final inspection and final, signed-off permit. The Property owner notifies the SCEIP that all work has been completed and submits final documentation: final permit, invoices, and receipts showing all costs, less any rebate amounts, a Request for Disbursement form, and any fee(s) due at the time of the disbursement request.

Checks will be prepared in accordance with the disbursement cycle. The amount disbursed will be the lesser of (i) the maximum assessment amount provided in the Assessment Contract or (ii) the actual costs, net of County costs listed on Request for Disbursement. Interest accrues as of the date of bonding.

I. Payment Schedule

The property owner will begin paying the Contractual Assessment as indicated in the table below:

<u>DISBURSEMENT DATE(S)</u>	<u>FIRST TAX YEAR</u>	<u>FIRST-HALF OF ANNUAL PAYMENT DUE</u>
October 2022 – September 2023	2023-24	December 2023
October 2023 – September 2024	2024-25	December 2024
October 2024 – September 2025	2025-26	December 2025