



SUMMARY REPORT

Agenda Date: 7/23/2019

To: Sonoma County Board of Supervisors

Department or Agency Name(s): Auditor-Controller-Treasurer-Tax Collector and General Services

Staff Name and Phone Number: Erick Roeser, (707) 565-3285; Caroline Judy, (707) 565-8058

Vote Requirement: Majority

Supervisorial District(s): All

Title:

Expansion of the Sonoma County Energy Independence Program to Allow for Seismic Strengthening and Wildfire Safety Improvements

Recommended Actions:

Adopt a Resolution authorizing the expansion of the Sonoma County Energy Independence Program to finance Seismic Strengthening Improvements and Wildfire Safety Improvements through the use of contractual assessments, confirming the amended Program Report, and taking other certain actions.

Executive Summary:

The upfront cost of making residential, commercial, industrial, agricultural, or other real property more resistant to seismic and wildfire events prevents many property owners from making these types of improvements. Expansion of the Sonoma County Energy Independence Program would allow property owners throughout the County to finance seismic strengthening and wildfire safety improvements through contractual assessments, making these types of improvements more affordable and increasing the number of hardened properties within the County. The expansion would take effect upon completion of a successful validation action, which is anticipated to take between 90 and 120 days.

Discussion:

On July 21, 2008, the Governor signed AB 811 (Levine) as an urgency measure, amending Chapter 29 of Part 3 of Division 7 of the California Streets and Highways Code to provide California counties and cities with a new way to help property owners finance energy improvements. Specifically, AB 811 authorized the establishment of contractual assessment programs in order to finance the installation of solar panels and other energy efficiency improvements that are permanently fixed to real property. Participation is voluntary and property owners who participate install improvements and pay the assessment on their property tax bills over time.

From the County's perspective, the Sonoma County Energy Independence Program ("SCEIP" or "Program") is a key element in achieving community-wide greenhouse gas emission reduction and water conservation goals. SCEIP provides a significant tool for directing more resources toward greater energy efficiency, conservation of water resources renewable energy generation, 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, the Program creates or retains jobs in the building industry.

From the Board's adoption of the SCEIP program in March 2009, the program has evolved from a limited focus on existing building improvements; allowing energy efficiency, water conservation, and renewable energy generation. Previous amendments to the Program adopted by the Board include installation of energy efficiency, water conservation, and renewable energy improvements in new construction. Providing a means of financing these improvements, SCEIP helps to address the housing crisis and accelerate the process of rebuilding fire-damaged or destroyed properties. Furthermore, these improvements help mitigate against future disasters by upgrading existing or building more resilient new construction.

In 2018, the State Legislature adopted the Wildfire Safety Finance Act (SB 465), codified as Section 5899.4 of the California Streets and Highways Code, effective January 1, 2019, which authorizes contractual assessment programs, such as SCEIP, to finance the installation of wildfire safety improvements that are permanently fixed to existing residential, commercial, industrial, agricultural, or other real property. The legislation dictates that financing through contractual assessment programs can only be used for these types of wildfire safety improvements until January 1, 2029.

Additionally, in 2011, the State Legislature adopted 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, like SCEIP, 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.

On April 30, 2019, this Board adopted two resolutions of intention (Resolution Nos. 19-0166 and 19-0167), declaring its intention to expand SCEIP to include the financing of wildfire safety improvements and seismic strengthening improvements, and setting a public hearing thereon so that interested members of the public can weigh in on the proposed SCEIP expansion.

Notice of the public hearing has been given, and the Program Administrator has filed with this Board an amended Program Report and Administrative Guidelines document (the "Report"), which includes the requirements specified under state law. In sum, the Report includes: (a) a map showing the boundaries of the territory within which the seismic strengthening improvements and the wildfire safety improvements are proposed to be offered, (b) a draft assessment contract specifying the terms and conditions that would be agreed to by a property owner and the County for participation in SCEIP, (c) a statement of county policies concerning contractual assessments including: (1) identification of types of seismic strengthening improvements and wildfire safety improvements that may be financed through the use of contractual assessments, (2) identification of a County official authorized to enter into contractual assessments on behalf of the County, (3) a maximum aggregate dollar amount of contractual assessments, (4) a method for setting requests from property owners for financing through contractual assessments in priority order in the event that requests appear likely to exceed the authorization amount, and (5) a brief description of criteria for determining the underwriting requirements, and safeguards that will be used to ensure that the total annual property tax and assessments on the property will not exceed 5 percent of the property's market value, as determined at the time of approval for the owner's contractual assessment, (d) a plan for raising a capital amount required to pay for work performed pursuant to contractual assessments, which includes (1) a statement of or method for determining the interest rate and time period during which contracting property owners would pay any assessment, (2) the establishment of any reserve fund or funds, and (3) the apportionment of all or any portion of the costs incidental to financing, administration, and collection of the

contractual assessment program among the consenting property owners and the County, and (e) a report on the Auditor-Controller-Treasurer-Tax-Collector's costs for posting the assessment to the property tax roll.

The wildfire safety improvements proposed by SCEIP and specified in the Report include improvements to roofing, siding, eaves, soffits, decks, windows, roof gutters and gutter enclosures, vents, and hardscaping, using a range of equipment, systems, and technology, that meet ignition-resistant, ember-resistant, or non-combustible material ratings. Under state law, wildfire safety improvements must be fixed to an existing building or structure, and cannot be used as a part of a project to construct a new home or to rebuild or reconstruct a home that was destroyed or damaged in a fire. Wildfire safety improvements can be installed throughout the County.

The seismic strengthening improvements proposed by SCEIP and specified in the Report must be fixed to an existing building or structure, and include strengthening of cripple walls and sill plate anchorage of light, wood-framed buildings. Seismic strengthening improvements can be installed throughout the County.

The Program Administrator recommends that this Board expand SCEIP to include wildfire safety improvements and seismic strengthening improvements and confirm the Report on file with the Board. Financing these types of improvements through SCEIP will serve a public purpose.

California's largest wildfires have occurred within the past 30 years and changing climate patterns have made California more vulnerable to wildfire, which poses a significant risk to the public's health, safety and welfare throughout the County. Wildfire safety improvements will aid in preventing the start of wildfires and reducing the speed and scale in which wildfires spread, thereby making the County more resilient to destructive wildfires like those that occurred in October 2017. Additionally, the County is prone to seismic events, being located on multiple fault lines, including the San Andreas, Rodgers Creek, Maacama and Healdsburg Faults, and also includes areas with high risk of liquefaction. The seismic strengthening improvements financed through SCEIP will aid in reducing the scale of destruction which could result from a major seismic event, making the County more seismically resilient and promoting public health and safety.

SCEIP anticipates additional funds will be necessary to implement the expansion of the Program to include wildfire safety and seismic strengthening improvements. A more detailed budget request with a specific scope of work is currently being developed by General Services and ACTTC to identify the costs for the expansion and this information will be provided for Board consideration in September. We anticipate much of these funds will be a one-time request ranging between \$150,000 and \$190,000. The budget costs listed in the fiscal table for this Board Item are related to the judicial validation action and do not cover the costs associated with implementing the proposed changes for the Program.

The Program Administrator also recommends that this Board authorize the Program to seek approval of the governing bodies of incorporated cities and towns to allow for SCEIP financing of seismic strengthening improvements and wildfire safety improvements on properties located within those jurisdictions.

Finally, the Program Administrator recommends that the Board authorize the Program Administrator and County Counsel to commence and prosecute a legal action to obtain a judgment validating the expansion of SCEIP from the Superior Court of California County of Sonoma in accordance with California Code of Civil Procedure Section 860, et seq. A typical validation action may take between three and four months to

complete and will cost approximately \$25,000 in legal services, which will be funded by assessment revenues.

Pursuant to the California Environmental Quality Act ("CEQA") Guidelines, 14 California Code of Regulations Section 15378(b)(4), expansion of SCEIP to include seismic strengthening improvements and wildfire safety improvements is not a "project" subject to the requirements of CEQA, because it is the expansion of an existing government funding mechanism which does not involve any commitment to any specific project.

Prior Board Actions:

Most recent actions include:

6/4/19 - The Board continued the hearing to expand the Program to the July 23 meeting.

4/30/19 - Sonoma County Energy Independence Program adoption of two resolutions of intention to expand the Program and set a date for the public hearing.

3/19/19 - Sonoma County Energy Independence Program bond authorization and investment

9/18/18 - Sonoma County Energy Independence Program bond authorization and investment and interest rate determination

6/11/18 - Sonoma County Energy Independence Program Implementation of California State Assembly Bill 1883 Allowing New Owner-Occupied Construction Assessments.

5/22/18 - Sonoma County Energy Independence Program Service Contract Extensions.

3/13/18 - Sonoma County Energy Independence Program bond authorization and investment

9/19/17 - Sonoma County Energy Independence Program bond authorization and investment and interest rate determination

FISCAL SUMMARY

Expenditures	FY 18-19 Adopted	FY19-20 Projected	FY 20-21 Projected
Budgeted Expenses	25,000		
Additional Appropriation Requested			
Total Expenditures	25,000		
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other	25,000		
Use of Fund Balance			
Contingencies			
Total Sources	25,000		

Narrative Explanation of Fiscal Impacts:

Sonoma County Energy Independence Program is funded through an enterprise fund and does not utilize General Fund dollars. Funding is from existing assessment revenues, not the fund balance.

Staffing Impacts:

Position Title (Payroll)	Monthly Salary Range (A - I Step)	Additions (number)	Deletions (number)

Narrative Explanation of Staffing Impacts (If Required):

None.

Attachments:

Attachment 1: Resolution Authorizing SCEIP Expansion

Attachment 2: Program Report and Administrative Guidelines

Attachment 3: SCEIP Wildfire Safety and Seismic Strengthening Eligible Improvements

Attachment 4: Assessment Contract - Single Disbursement

Attachment 5: Assessment Contract - Multiple Disbursements

Attachment 6: Implementation Agreement - Single Disbursement

Attachment 7: Implementation Agreement - Multiple Disbursements

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

Program Report and Administrative Guidelines