



SONOMA COUNTY ENERGY INDEPENDENCE PROGRAM

INFORMATION FOR LENDERS REGARDING ASSESSMENT FINANCING

What kinds of properties/owners are eligible for assessment financing?

Assessment financing is available for residential, commercial, industrial or any other real property that is subject to secured property taxes. Property owners may be individuals, associations, business entities, cooperatives, and virtually any owner which pays real property taxes.

What kinds of improvements are eligible for assessment financing?

Assessment financing is available for energy efficiency, water efficiency and renewable energy improvements that are permanently affixed to the property. In general, eligible improvements include solar panels, high efficiency heating and cooling systems, high efficiency windows and insulation, low flow toilets, on-demand hot water systems, and “smart” irrigation controllers, among others.

Are there limits on the amount of financing available to the property owner through assessment financing?

Improvement costs must be reasonable in relation to property value. As a guideline, proposed Improvements should not exceed 10 percent of assessed value. If more costly Improvements are proposed, the Program Administrator may require additional information supporting the reasonable relationship of the Improvements to the property, and the ability of the property owner to repay the assessment. In addition, the sum of the liens on the property cannot exceed the property’s market value (lien to value ratio $\leq 100\%$) and the sum of all annual property tax assessments, including the SCEIP assessment, cannot exceed 5% of the property’s market value. Projects under \$60,000 may be approved by Program Staff. Projects between \$60,000 and \$500,000 must be approved by the Program Administrator. Financing over \$500,000 must be reviewed and approved by the Sonoma County Board of Supervisors at a public meeting.

Are there eligibility requirements for property owners to receive assessment financing?

Applicants must be current on property taxes and any mortgages for the property. For commercial properties, the property owner is required to provide written documentation of consent from a first lender, unless the lender has agreed to have property owners participate in the Program without further review by the lender. Property owners may not be in bankruptcy and the property may not be an asset in a bankruptcy proceeding.

How long does the assessment lien remain in place?

The assessment lien remains until the financing is paid off, which is scheduled to be ten or twenty years.

What is the priority of the assessment lien compared to the lien held by my institution?

The contractual assessment lien has the same priority as property taxes and other assessments. See California Streets & Highways Code section 5898.30. This means that in the event of a default or foreclosure, the contractual assessment lien would have priority over your liens.

If in the event my institution forecloses on a property, must we pay off the assessment?

In the event of a foreclosure by your institution, as with any outstanding property tax liens, only the amount of the assessment that is due or in default would need to be paid at the time of the foreclosure. The remainder of the assessment remains a lien on the property, assumed by the purchaser.

In the event of a default on payment of the assessment, the County would normally treat the default in the same manner as a default in property taxes. Generally, properties are sold for failure to pay taxes after the taxes remain unpaid for five years. In the event the County proceeded to foreclose on property because of the unpaid assessment lien (i.e., if covenants in bonds sold to finance the Program required foreclosure), you as a lien holder would receive notice, and have an opportunity to cure the non-payment.

Why is assessment financing a benefit to my institution?

There are several benefits to your institution by allowing the Program to finance improvements on properties for which you hold a security interest. First, of course, unlike a home equity line of credit, the funds provided by the County Program can only be spent on renewable energy or energy efficiency improvements that are permanently

affixed to the property. These improvements will add market value to the property, or extend the life of the existing property.

Second, generally, the lien periods are shorter than the useful life of the Improvements installed, so your institution will enjoy the extra value as added security interest after the assessment has been paid and the lien removed.

Finally, we all need to participate in the effort to reverse climate change and reduce dependence on fossil fuel. In the current difficult fiscal environment, there are very few avenues open to property owners to finance the types of improvements needed to “green” their property. Supporting a program that facilitates these changes will benefit our whole community. We would be proud to acknowledge your support in this endeavor.

If you have additional questions, please contact the SCEIP storefront at (707) 565-6470 or via email at sceip@sonoma-county.org. You may also contact Deputy County Counsel Kathy Larocque or Cory O’Donnell at (707) 565-2421.

RETURN TO:

Program Administrator
Sonoma County Energy Independence Program
404 Aviation Boulevard, Suite 200
Santa Rosa, CA 95403

A.P.N.: _____

SCEIP File No: _____

**LENDER ACKNOWLEDGEMENT OF OWNER PARTICIPATION IN
SONOMA COUNTY ENERGY INDEPENDENCE PROGRAM**

THIS ACKNOWLEDGEMENT (“Acknowledgement”) is granted this _____ day of _____, 20____, by _____, a _____ (“Lender”), and for the benefit of Property Owner (“Owner”), _____, and the COUNTY OF SONOMA, a subdivision of the State of California (“County”), acting on behalf of the Sonoma County Energy Independence Program.

RECITALS

A. County has established the Sonoma County Energy Independence Program (“Program”) to finance installation of distributed generation renewable energy sources or energy efficiency improvements, including water conservation improvements (“Improvements”), as further described in Exhibit A attached hereto, that are permanently fixed to real property.

B. Owner has previously executed a deed of trust dated _____, to Lender, as trustee and beneficiary thereunder, covering the Property, to secure a promissory note in the sum of \$ _____, and recorded on _____, _____ as Instrument No. _____ in the Official Records of Sonoma County (“Deed of Trust”).

C. Owner has applied to the Program to finance qualified improvements in the amount of \$ _____, to be paid back with interest as an assessment on Owner’s real property, that is the subject of the Deed of Trust, over a period of _____ years.

D. Owner has executed, or is about to execute, an Assessment Contract with County (“Assessment Contract”) by which County will disburse funds to Owner in a principal amount not to exceed \$_____ (“Disbursement”) to finance purchase and installation of Improvements, and such Disbursement will be payable with interest, upon terms and conditions described in the Assessment Contract¹.

E. Pursuant to Chapter 29, Part 3, Division 7 of the California Streets and Highways Code, repayment by Owner under the Assessment Contract will be by a statutory assessment levied against the Property (the “Assessment”) notice of which shall be recorded against the Property in the Official Records of Sonoma County, and which Assessment, together with interest and any penalties, shall constitute a lien (the “Lien”) on the Property, and shall be collected in installments on the property tax bill in the same manner as and subject to the same penalties, remedies and lien priorities as real property taxes.

ACKNOWLEDGEMENT

Lender acknowledges that it has been informed of Owner’s participation in the Program, and agrees that Owner’s execution of the Assessment Contract will not constitute a default under Lender’s Deed of Trust.

LENDER:

Lender Officer to sign:

By: _____
Signature

_____ *Name*

_____ *Title*

_____ *Date*

¹ A form of the Assessment Contract can be viewed on-line at www.sonomacountyenergy.org, or will be provided to Lender upon request.

EXHIBIT A
(Include List of Improvements)

REVISED 03/15/2012