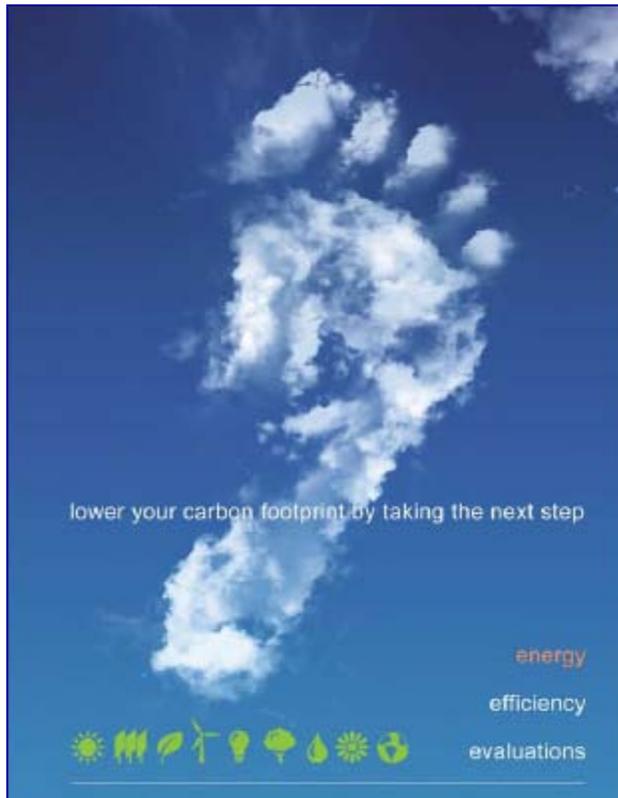




# Sonoma County Energy Independence Program

## PROGRAM REPORT AND ADMINISTRATIVE GUIDELINES



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## 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, or other real property. Because water use and energy use are closely linked, our County program will also assist property owners in reducing water use. In this report, improvements are collectively referred to as “energy and water conservation improvements” or “improvements.”

To make energy and water conservation improvements more affordable and to promote their installation, AB 811 provides procedures for authorizing **voluntary assessments** to finance the cost of these improvements. The Sonoma County Energy Independence Program (“SCEIP” or “Program”) works at the request and with the consent of owners of the property on which the energy and water conservation improvements are to be made.

SCEIP will provide financing (“SCEIP financing”) to property owners within the County to finance the installation of energy and water conservation improvements under contractual assessment agreements. Property owners will repay SCEIP financing through an assessment levied against their property which is payable in semi-annual installments on property tax bills.

#### **A. Goals.**

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 energy and water conservation improvements.

SCEIP provides multiple benefits. By enabling property owners to take responsible energy and water conservation actions, SCEIP will reduce their utility bills.<sup>1</sup> 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. To help meet GHG reduction goals, environmental credits (including but not limited to carbon credits, carbon offsets, renewable energy credits or any other environmental attributes) attributable to Improvements financed by SCEIP, if any, shall be held jointly by the County of Sonoma (on behalf of the Sonoma County Energy Independence Program), the Sonoma County Water Agency, and the Sonoma County Transportation Authority, as the current RCPCP project manager.

## **B. Program Benefits.**

From the County’s perspective, SCEIP will be a key element in achieving GHG reduction goals. SCEIP provides a significant tool for funneling more resources into the shift to greater efficiency and renewable energy. 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.

For property owners, SCEIP offers a no-money-down means of financing energy and water conservation 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 other County staff along with staff from the Sonoma County Water Agency, (“SCEIP staff”) in administering SCEIP.

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<sup>1</sup> 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.

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](http://www.sonomacountyenergy.org). It hosts a variety of information regarding SCEIP financing and conservation improvements.

SCEIP staff responsibilities will include:

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

## II. PROGRAM REQUIREMENTS

### A. Program Report.

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

- A map showing the boundaries of the territory within which contractual assessments are proposed;
- 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; and a method for setting priority for applications in the event that requests appear likely to exceed the authorization amount;
- A plan for funding SCEIP; and
- Information on the County's cost of placing assessments on the tax roll.

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<sup>2</sup> See California Streets and Highways Code Section 5898.22.

## **B. Geographic Parameters.**

The County offers SCEIP throughout its jurisdiction. All cities and towns within the County have agreed to authorize properties within the incorporated area to be included in SCEIP and permit voluntary assessments to be established within their jurisdictions. The County has entered into Cooperative Agreements with each city and town within the County to implement SCEIP within their respective boundaries. A map showing the County's boundaries, being the area within which 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 proceeding<sup>3</sup>;
- Property owner is current on all mortgage(s).<sup>4</sup> For commercial property,<sup>5</sup> lender has signed a Lender Acknowledgement of Owner Participation form regarding SCEIP financing;
- Improvement costs are reasonable to property market value.<sup>6</sup> 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

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<sup>3</sup> 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.

<sup>4</sup> 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.

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

<sup>6</sup> Property market value ("property value" or "market value") is determined by the Automated Valuation Model for residential properties up to \$1.5 million, or by an appraisal by a California certified real estate appraiser, or, for commercial properties only, by a signed lender acknowledgement form.

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.

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 SCEIP if financing additional energy and water conservation improvements are desired by the owner, and if the total requested financing amount of all applications falls within program guidelines.

#### **D. Eligible Equipment.**

SCEIP affords property owners in Sonoma County the opportunity to take advantage of a wide range of energy-savings and water conservation improvements, consistent with the following provisions:

(1) 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, SCEIP financing is also available for purchasers of new homes and businesses that wish to add energy efficiency, renewable energy, and water conservation improvements after taking title to the property.

(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) Renewable energy generation; and
- (d) Custom improvements.<sup>7</sup>

A detailed list of improvements is set out in SCEIP's Eligible Improvements list.

SCEIP financing is also available for projects that combine eligible improvements, such as bundling of water conservation, energy efficiency and renewable energy improvements. For instance, a property owner may choose to replace an aging and inefficient furnace, install weather stripping, install high efficiency toilets and install a photovoltaic system.

#### **E. Eligible Costs and Program Fees.**

(1) Project Costs. Eligible costs of the energy and water efficiency 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,<sup>8</sup> and inspection charges.

The installation of energy savings and water conservation improvements can be completed by a participating contractor<sup>9</sup> 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 energy and water conservation improvements. Repairs and/or new construction do not qualify for SCEIP financing except to the extent that the construction is required for the specific approved improvement. Repairs to existing infrastructure, such as water and sewer laterals, are considered repairs and are not eligible.

The value of expected rebates<sup>10</sup> but not the value of expected tax credits will be deducted from SCEIP financing.

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<sup>7</sup> 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.

<sup>8</sup> 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.

<sup>9</sup> 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.

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.

(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 \$125 for projects \$5,000 to \$500,000. Projects greater than \$500,000 will require title insurance.
- (b) Recording fee for documents required to be recorded by State law, which include the Notice of Assessment, Assessment Contract, and Disclosure Notification, are set by State law and the Recorder's Office. This fee is currently \$66.00.
- (c) For residential projects, a PACE Loss Reserve fee will be added at the time final disbursement is requested. The fee is set by state law and the California Alternative Energy and Advanced Transportation Financing Authority ("CAEATFA"). The fee is 0.25% of the principal value of each assessment.<sup>11</sup>
- (d) 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.
- (e) Multiple disbursements are projects installing an improvement \$40,000 and greater. Multiple disbursement projects will begin to

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<sup>10</sup> "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.

<sup>11</sup> The assessment will include the interest on the disbursement amount that accrues from the disbursement date to the following September 1. This capitalized interest will be added into the financed principal amount. The Loss Reserve fee will be based on the resulting assessment amount.

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 a 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. Payment can be made to any contractor who has completed his portion of the work, or who has completed the improvement, and provides a final invoice and a finalized permit for the completed scope of work. No onsite inspection fee required. A detailed Summary of the SCEIP financing process is attached as Appendix E.

- (f) There is a cost of \$12 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 SCEIP fees and charges.

#### **F. Refunds of Costs and Fees.**

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

## **G. Administrative Costs.**

The County may elect to cover all or a portion of 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 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 four categories or “tracks” of technologies under which property owners may participate in SCEIP. Eligible improvements must meet specified minimum efficiency standards. 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 Renewable Energy Generation Track.**

The Renewable Energy Generation Track covers renewable energy generation projects.

#### **D. The Custom Improvement Track.**

The development of technologies is encouraged by SCEIP as a means of diversifying the County’s energy sources. The Custom Improvement Track will evaluate and provide funding, if appropriate, for 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 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**

### **A. Residential Properties.**

By participating in 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 both the energy efficiency and the cost effectiveness of the improvements. A minimum of an online self-evaluation of household energy efficiency is required for participation in SCEIP to assess water conservation, energy efficiency, and renewable energy generation opportunities for the property. Online surveys can be conducted through the My Action Plan tool on the SCEIP website.

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<sup>12</sup>, or equivalent. 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 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 SCEIP financing. Property owners should also check with their local water provider to see if free water conservation surveys are available.

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<sup>12</sup> The SCEIP website hosts a list of certified HERS II raters conducting business in Sonoma County.

## V. PROGRAM PARAMETERS

### A. Minimum Energy Financing Amount and Duration of Assessment.

SCEIP Assessment Contracts are available for up to 20-year terms to accommodate a wide range of efficiency improvements and renewable energy investments. The minimum amount for a SCEIP Assessment Contract is \$2,500. All Assessment Contracts below \$5,000 are subject to a ten-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 Energy 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 \$60,000 to \$500,000 must be approved by the Program Administrator and may require additional documentation. SCEIP Assessment Contracts for amounts over \$500,000 must be approved by the Board of Supervisors.

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

### C. Maximum Portfolio.

The County initially funded SCEIP with a commitment of up to \$45 million. The County will explore other financing opportunities, with the goal of expanding 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, although the County may reduce the rate for all SCEIP participants if it is able to negotiate long term financing on sufficiently favorable terms to allow it to do so while still funding the SCEIP costs.

The interest rate for 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 SCEIP.

Initially, the Program Administrator recommended the initial interest rate for be set at a fixed interest rate of 7.00 percent.

**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, 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 Plan<sup>13</sup>, 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 energy and water conservation 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.

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<sup>13</sup> 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.

The County will manage 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's 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 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.

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 SCEIP expense fund may be used to pay or reimburse the County for expenses to administer 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 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 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**

SCEIP will participate in the statewide CAEATFA PACE Loss Reserve Program (“Loss Reserve”), authorized by the California Legislature’s Senate Bill 96 (2013). 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 will cover 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. 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. The Loss Reserve currently consists of \$10 million of state funds.

SCEIP’s Program Requirements are consistent with CAEATFA’s underwriting criteria. Further, as required by CAEATFA, SCEIP will report to CAEATFA on March 1<sup>st</sup> and October 1<sup>st</sup> of each year with information regarding the loans issued during the relevant time period and energy and water savings resulting from PACE assessments. The Loss

Reserve requires an administrative fee of 0.25% of each new assessment, which SCEIP will collect from the property owner as noted in Section II (E).

## **VII. 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 SCEIP.

**Sonoma County Energy Independence Program**  
**APPENDIX A – ELIGIBLE IMPROVEMENTS**

SCEIP offers funds for a number of equipment types, including water conservation improvements, energy efficiency improvements, renewable energy generation systems, and other innovative, energy-saving and renewable energy generation custom improvements. 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. 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.

#### **4. CUSTOM IMPROVEMENTS**

The Custom Improvements Track is a process by which 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, 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 committee<sup>14</sup> 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.

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<sup>14</sup> 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](http://www.sonomacountyenergy.org).

**Sonoma County Energy Independence Program  
APPENDIX D – CONTRACT DOCUMENTS**

The following contract documents are available online at  
[www.sonomacountyenergy.org](http://www.sonomacountyenergy.org).

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 (“SCEIP”) provides financing (“SCEIP Financing”) for the installation of energy efficiency improvements, water efficiency 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 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. For residential properties<sup>15</sup>, a minimum of an online energy survey is required. Online surveys can be conducted through the My Action Plan tool on the SCEIP website. Alternatively and highly recommended, 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 <http://www.energy.ca.gov/HERS/index.html>.

For commercial properties, an onsite energy audit is required to participate. An onsite audit will help property owners determine the most efficient route to maximize their investment.

Residential and commercial property owners should also check with their local water provider to see if free water conservation surveys are available. Costs incurred to conduct onsite audits or surveys may be included in your application for SCEIP Financing.

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 bid<sup>16</sup> or determines the cost of the equipment if self-installing.

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<sup>15</sup> For SCEIP, “residential property” is defined as single-family properties with 1-to-3 residential units; “commercial property” is all other property.

<sup>16</sup> Two bids are required if the selected contractor does not operate a business office within Sonoma County. 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.

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@sonomacountyenergy.org](mailto:sceip@sonomacountyenergy.org).

## **B. Program Application**

The property owner visits the SCEIP website ([www.sonomacountyenergy.org](http://www.sonomacountyenergy.org)) or the SCEIP office to complete an 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.

## **C. Application Review**

During the Application Review process, SCEIP staff verifies that:

- a. The Application is complete and accurate;
- b. All SCEIP eligibility requirements are met<sup>17</sup>; and
- c. SCEIP funding is available.

Within 3 business days of receipt of an application, 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 SCEIP Staff have verified that the application is complete and accurate, meets all SCEIP requirements, and SCEIP funding is available.

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

Applications for SCEIP financing for amounts from \$60,000 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 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.

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<sup>17</sup> Eligibility requirements may be found on the [SCEIP website](#)

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”), 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. 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. Four business days from the execution of the contract documents, SCEIP Staff will issue a Notice to Proceed to 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, 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, 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 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 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 finalized permit for that improvement. No onsite inspection is required when a finalized permit can be provided.

#### **H. Final Inspections & Disbursement of SCEIP Financing**

After Improvements are completed, the Property owner must contact the local permitting agency for a final inspection and finalized permit. The Property owner notifies SCEIP that all work has been completed and submits final documentation: finalized 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 2012 – September 2013	2013-14	December 2013
October 2013 – September 2014	2014-15	December 2014
October 2014 – September 2015	2015-16	December 2015