

# SONOMA COUNTY ENERGY INDEPENDENCE PROGRAM

## PROGRAM POLICIES



**MARCH 30, 2012**

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This document, the Sonoma County Energy Independence Program (SCEIP) Program Policies manual, presents in detail policies governing SCEIP. This manual is intended as a companion document to the SCEIP Program Report and Administrative Guidelines adopted by the Sonoma County Board of Supervisors on March 25, 2009 and amended from time to time. Policies governing internal office operations and policies governing program-related financial operations of the Office of the Auditor-Controller-Treasurer-Tax Collector are not included in this document. Sample forms and templates referred to in this document may be found in the Resources for Municipalities page, located on the SCEIP website at [www.sonomacountyenergy.org](http://www.sonomacountyenergy.org).

## I. PROGRAM ELIGIBILITY

### A. DEFINITIONS

Property: “Residential Property” is defined as single-family properties with 1-to-4 residential units; “Commercial Property” is all other property including those zoned agricultural.

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 as described in Sections B. and C. below.

Improvement: Retrofit activity to replace outdated inefficient equipment and to install new permanent equipment that reduces energy consumption, produces renewable energy, or reduces water use through conservation. Improvements may be made to homes and businesses that want to add energy efficiency, renewable energy generation, and/or water conservation improvements after applicant takes title to the property. “Improvement” may also include a professional energy analysis to ascertain needed or desired retrofits.

Financing is available for single improvements or for projects that combine eligible improvements, such as bundling of water conservation, energy efficiency, and renewable energy improvements. SCEIP financing may not be used for new construction or for a property listed for sale.

## B. BASIC ELIGIBILITY CRITERIA

### Property

1. Property title is vested in the applicant(s), without federal or state income tax liens, judgment liens, or similar involuntary liens on the property.
2. If the property is subject to any involuntary liens, property owner must provide documentation that liens have been released.
3. Property appears on the Sonoma County secured tax roll; many non-profits do not pay property taxes and, therefore, are not eligible.
4. For a mobile home to be eligible the applicant must own the land and the mobile home must be attached to a foundation; title for land and mobile home must match exactly.
5. If the property is subject to Covenants, Conditions and Restrictions (CC&Rs), property owner must furnish written permission authorizing the installation from the entity placing the restriction.
6. Owners of property governed by a Home Owners Association must conform to HOA policies.
7. Owners of property in Historic Districts must conform to Historic District policies.

### Property Owners

1. Property owner is current on all property taxes for all properties owned in the County. This includes any property outside the subject property that is owned by any of the applicants on title. Applicant cannot be on a payment plan with the County as this is considered delinquent.
2. In the case of a property with multiple owners on title, all must sign the application.
3. Property owner must be current on the mortgage payments as demonstrated on the most recent mortgage statement.
4. If property owner was involved in a loan modification for default, the loan modification must have been completed at least one year prior to application filing. In addition, the applicant must provide the most recent six months' worth of mortgage statements on the new loan showing no late payments. If the property was subject to loan modification for any reason other than default, the one year waiting period is waived and the applicant must provide the most recent six months' worth of mortgage statements on the new loan showing no late payments.
5. Property owner is not in bankruptcy for any of the owner's properties and the property is not an asset in a bankruptcy proceeding. If property owner has been in bankruptcy on any owned properties between one and three years from the date of application filing, the property owner may participate in SCEIP if they can

provide documents that all liens have been current for the six months prior to their application date. If property owner has been out of bankruptcy for 3 years, property owner may participate in SCEIP. Property owners who have declared bankruptcy more than once are not eligible for SCEIP. If the property owner is a corporation or LLC, any personal bankruptcies of the corporation's officers do not affect eligibility.

6. If a property owner is planning to sell the home, SCEIP financing is available only if the project is completed and all disbursements are issued prior to the listing of the property.
7. Reverse mortgages are acceptable, provided applicant meets all other criteria.
8. Property owner does not owe more on the home than the home's market value (i.e. "lien to value ratio" is 100% or less). The amount owed on the property is the sum of all existing liens, including tax abatements. In order to compute the balance on a Home Equity Line of Credit, the total amount available is used since this amount could be used by the applicant at any point after Application submission. The Intake Calculator found in Appendix B may be used to automate verification of this requirement.

### Improvement

1. Improvement costs are reasonable to property value, which the County has defined to prohibit the total cost of proposed improvements from exceeding 10% of market or appraised value of the property, whichever is higher (i.e. "project to value ratio" is 10% or less).
2. If the property, either residential or commercial, is unencumbered by a lien (property is owned free and clear), the applicant may submit for a project up to 50% of the property's market or appraised value, whichever is higher (i.e., the project to value ratio may be greater than 10% but cannot exceed 50%). These projects will be evaluated on a case-by-case basis.
3. The sum of the annual property tax and assessments plus the additional annual SCEIP assessment must not exceed 5% of the property's market value (i.e., the "assessment to value" ratio is 5% or less).
4. Improvement is permanently affixed to real property.
5. Improvements must be retrofits to existing infrastructure. 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.
6. The physical installation or construction of a project cannot have begun. A property owner can get an energy analysis, estimates, and contract with a vendor

prior to applying for SCEIP funding, but work may not begin until the Notice to Proceed is issued by SCEIP to the property owner.

7. Projects that entail moving from a utility to propane as the energy source are not eligible.
8. Specific details on eligibility and technical specification requirements for each type of improvement are listed in Appendix A. If the proposed improvement is not listed, it may still be eligible as a custom improvement subject to further project clarification and with steering committee<sup>1</sup> approval.

## C. ELIGIBLE APPLICATIONS

### Eligible Residential Applications

1. Application is completely filled out, signed and dated.
2. ALL property owners who are on the title have signed the application.
3. Copies of current statements for **ALL** voluntary liens against the property (e.g. 1<sup>st</sup> mortgage, 2<sup>nd</sup> mortgage, line of credit, home equity loan, etc.); statements must be dated within 45 days of the application date, and must include payment status, late charge information and current balance.
4. If property is held in a trust, copies of the following trust documents are required: title page, language indicating power of trustee to encumber or hypothecate property, or alternatively, language citing California Probate Code 16200 through 16249, signature page and notary block.
5. Estimated cost of Improvement, including: contractor bid with California contractor license number, the permit fee, technical specifications on all equipment (quantity, make, model, manufacturer – sq. ft, linear ft., kW, U-value, SHGC-value, SEER/EER/AFUE rating), subtraction of any estimated rebates (see Section II. I for more information about rebates). 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.
6. The property must meet the requirements for the project to value ratio, assessment to value ratio and the lien to value ratio. If an appraisal has been submitted for the lien to value ratio and project to value ratio calculations, the appraisal must have been performed by a California certified real estate appraiser and dated within 90 days of the application submission date. A copy of the appraiser's certificate should be included with the application.

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<sup>1</sup> The steering committee is a SCEIP advisory committee comprised of members with legal, operational, and financial backgrounds.



7. All fees and charges have been paid, as set forth in the Schedule of Fees and Charges table below.
8. A signed Truth in Lending Acknowledgement (TILA) document is required for all applications.
9. A completed, initialed and signed Utility Authorization form is required for all applications. Note: The City of Healdsburg has its own form for use if electricity is delivered via that source. Utility Authorization allows program staff to obtain three years of billing data for the applicant, as discussed below.
10. If applicable to the property, written approval from governing Home Owners Association or Historic District Board.

### Eligible Commercial Applications

1. All of the above applies, with the following exceptions and additions:
2. If property is not held by an individual or trust, (for example, if it is held by a Limited Liability Company (LLC) or Corporation), copies of the organizational documents and any authorizing resolutions are required to determine who has the legal right to agree to the assessment and sign the contract documents with the County.
3. If an appraisal was conducted in the past 5 years and no changes to the property have been made in that time, the applicant may use the original appraisal provided it is accompanied by a statement no older than 90 days from a licensed real estate appraiser which states the present market-day value of the property given the contents of the original report.
4. For projects over \$500,000, title insurance and escrow account may be set up in lieu of title search (no \$125 necessary)<sup>2</sup>. The escrow requirement may be waived if project is financed by a third-party investor, in which case the property owner remains responsible for SCEIP fees and charges.
5. Copies of complete PG&E or certified energy analysis.
6. Original, signed and notarized lender acknowledgement form from each lender holding a lien against the property
7. A signed TILA is not required.

### Multiple Applications

Property owners may apply more than once for funding under SCEIP if they want additional energy and water conservation improvements to the property. The *total* of all improvements financed by SCEIP cannot exceed 10% of the property value. If the property changes hands, and the new owners wish to apply for funding through SCEIP,

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<sup>2</sup> For projects over \$500,000, an escrow account will be set up into which the County will deposit the contracted amount. Requests for disbursements will be funded from this account.

any SCEIP funding previously provided for the property must be included as part of the project to value ratio.

## II. FINANCIAL POLICIES

### A. SCHEDULE OF FEES AND CHARGES

The following table details program fees and charges. The annual administrative charge is rolled into the assessment amount; all other fees and charges are required to be paid by check or money order at the time they are incurred.

Fee or Charge	Amount	When Due
Automated Valuation Report	\$12 to determine market value of property valued up to \$1.5 million. Full appraisal required if value is greater than \$1.5 million.	Concurrent with SCEIP application
Title Search Cost	\$50 for projects under \$5,000 \$125 for projects \$5,000 to \$500,000 Title Insurance required for projects over \$500,000.	Upon application acceptance
Title Search Cost, 2 <sup>nd</sup> Project	\$30 if Application made within 180 days of first Application	Upon application acceptance
Recording Fee, Original	\$66	At contract signing
Recording Fee, Contract Amendments	\$41	At contract amendment signing
Annual Administrative Charge <sup>3</sup>	\$41.12	Annually
Multiple Disbursement Site Inspection Cost	\$150 per request	At time of inspection
Assessment Payoff Quote (NBS official)	\$35	At time of quote request
Removal of Tax Lien	\$26	At time of assessment payoff

<sup>3</sup> Assessment collection and processing costs will be added to the annual assessment on property tax bills. These costs were \$40 for fiscal year 2009/10 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.

## B. FINANCING AMOUNTS AND DURATION OF ASSESSMENT

SCEIP Assessment Contracts are available for 10- and 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 10-year assessment repayment period. Assessments \$5,000 and greater 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. Generally, the term should be consistent with the life of the improvement.

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.

## C. AUTOMATED VALUATION MODEL TOOL

For residential properties with a value up to \$1.5 million, SCEIP uses a desktop valuation model to determine the market value of applicant's property. This is done at the time of application and the County charges a fee of \$12.00 for this analysis. If the assessment to value ratio exceeds the 5% limit, or the project to value ratio exceeds the 10% limit, the applicant can arrange for a full appraisal with a California certified real estate appraiser.

## D. 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.

## E. ELIGIBLE EXPENSES

The following incurred costs may be included in an application for SCEIP financing:

- Project materials
- Installation labor (contractor only)\*
- Building Performance Analysis: Energy and water conservation audits conducted before and after project application
- Permit Fees
- Engineering and Design Costs
- Appraisal Costs

\* The installation of energy savings and water conservation improvements can be completed by a qualified contractor of the property owner's choice. See Section VII A for

participating contractor requirements. Eligible costs **do not include** labor costs for property owners who elect to do the work themselves, even if the property owner is a licensed contractor.

## F. INELIGIBLE EXPENSES

The following expenses are not eligible to be included in requested funding:

- Bridge finance charge
- Labor for self-installed projects
- Labor conducted by a non-participating contractor, if not overseen by a participating contractor
- Refinancing of previously-installed improvements
- Cost of maintenance plans and extended warranties

## G. INTEREST RATE

The interest rate for SCEIP financing is set at the time County and property owner enter into the contract documents. The interest rate is fixed at that point and will not go up. Currently the SCEIP interest rate is 7%. The interest rate will be determined periodically by the Program Administrator with the approval of the Board of Supervisors.

## H. CAPITALIZED INTEREST

The assessment will include 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.

## I. REBATES

The value of expected rebates but not the value of expected tax credits will be deducted from SCEIP financing. "Expected rebates" do not include rebates (1) that are contingent on performance (achieving a certain level of energy efficiency) 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.

## J. ENVIRONMENTAL CREDITS

Any environmental credits attributable to SCEIP-funded projects, including but not limited to carbon credits, carbon offsets, renewable energy credits or any other environmental attributes, are jointly held by the County, Sonoma County Water Agency, and Sonoma County Transportation Authority.

## K. TAX CREDITS

Federal tax credits may exist for certain projects. SCEIP staff cannot provide applicants with advice regarding federal income tax credits; rather, applicants should be told to seek the advice of a qualified tax advisor.

## L. PERMITS

All improvements, including those normally exempt from permit requirements, will require a permit from the local jurisdiction (town, city, county). Each jurisdiction sets its own permit fees. Final inspection by a building inspector will ensure that the Improvements were completed. A finalized permit(s) for improvements financed by SCEIP must be furnished by the applicant at the time disbursement is requested.

## M. REFUNDS OF COSTS AND FEES

If an applicant exercises the right to cancel within the three-day rescission period following the date that the contract documents are signed, 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 rescission period.

# III. DOCUMENT POLICIES

## A. SIGNATURES AND SIGNING AUTHORITY

### Property Owners

Notarized signatures are required on the following documents: customer authorization (described in the following paragraph), assessment contract, and implementation agreement. An original signature from each property owner is required for the right to cancel form, and an original signature from one property owner is required for the request for disbursement form.

If the property owner wants his or her contractor to be copied on personal and financial information as it pertains to the application, such as the title report, bank statements and contract documents, each property owner listed must sign and have notarized the Customer Authorization form.

Approval of applications less than \$60,000 in requested funding may be given by the Program Administrator or persons to whom the Program Administrator has delegated such authority. Upon execution of the contract documents by the property owner(s), the Program Administrator or the person to whom the Program Administrator has delegated such authority may sign, provided that the person approving the application cannot sign the contract documents.

Approval of applications for \$60,000 to \$500,000 in requested funding is given by the Program Administrator. Approval of these applications may be done at the weekly meeting or via electronic approval by steering committee representatives, and must

follow initial review and approval by SCEIP staff. The Program Administrator or delegated authority shall sign the executed contract documents.

If an applicant submits multiple applications that together represent \$60,000 or more in requested funding, all applications must go to the Steering Committee for approval.

Approval of Applications over \$500,000 shall be given by the Board of Supervisors at a regular meeting following SCEIP Steering Committee approval. The Program Administrator or delegated authority shall sign the executed contract documents.

## B. FHFA DISCLOSURE

For residential property owners, the following information is provided in the form of a signature-required disclosure that serves as the first page of the application:

*In May, 2010, Fannie Mae and Freddie Mac issued new instructions to lending institutions on how to treat properties with assessments under Property Assessed Clean Energy (PACE) programs such as SCEIP. These letters, and additional statements issued by the Federal Housing Finance Agency instruct lenders to treat energy assessments as “loans” instead of “assessments.” On August 31, 2010, the agencies issued additional instructions to lenders that Fannie Mae and Freddie Mac “will not purchase mortgage loans secured by properties with an outstanding PACE obligation.”*

All residential applicants must sign this disclosure, regardless of whether their property is encumbered by a lien or is owned by them free and clear. Commercial applicants are not required to sign this disclosure because they are required to submit a lender acknowledgement(s), which contains a statement by the bank that the assessment does not create a default on the mortgage.

## C. TRUTH IN LENDING ACT DISCLOSURE

A Truth in Lending Act disclosure (TILA) is provided to residential applicants only. All residential property owners must sign the TILA disclosure before the County will order the title report. The County will accept copies of the signed TILA disclosure. If the amount of requested financing changes during the application process such that it changes the interest rate reported on the original TILA disclosure by 0.125%, the applicant must sign a new TILA disclosure prior to SCEIP staff approving the application for contract signing.

## D. LENDER ACKNOWLEDGEMENT

With regard to residential applications, SCEIP recommends property owners review their mortgage documents and contact their mortgage lender if they have questions. By signing the SCEIP application, property owners declare that they have reviewed

applicable loan agreements and that the SCEIP will not constitute a default under those agreements.

Non-residential applications must be accompanied by a lender acknowledgement from each lender that holds a lien against the property. Unlike residential loans, most commercial loans are both serviced and held by the bank making the loan. Thus the property owner has a relationship with the bank that is mutually beneficial and enduring.

Occasionally an application will be received for a property encumbered by both a conventional mortgage and a commercial line of credit. In this case, the lender acknowledgement form must be received from the commercial lender.

## E. UTILITY AUTHORIZATION

SCEIP tracks energy use before and after upgrades to a property are made in order to quantify energy savings and greenhouse gas emissions reduction from the improvements. All applicants must submit a signed utility authorization form with their application, authorizing their utility(ies) to release three consecutive years of monthly billing information to SCEIP. In the case of a multi-family building that is sub-metered, an authorization form should be provided for as many tenants as possible who are utility customers of record.

## F. POWER PURCHASE AGREEMENTS

If an Application is submitted requesting SCEIP funding for a leased system for solar PV generation, it must be accompanied by a Sonoma County-approved Power Purchase Agreement or Lease. This Agreement must contain the provisions set forth in the PPA Agreement Standards document found in Appendix D.

# IV. CONTRACT POLICIES

## A. CONTRACT EXPIRATION AND EXTENSIONS

The contract documents expire if the property owner has not completed installation of the improvements within 90 days from issuance of the notice to proceed. The County may grant an extension for 30 days on a case-by-case basis. When a request for an extension is received, the applicant must demonstrate that eligibility requirements for SCEIP application are met.

An approved application is considered “stale” if the property owner has not executed the contract documents within 30 days of the County mailing the notice of approval. For a

stale application or expired contract documents, the County will contact the applicant and return supporting documents.

## **B. APPLICANT IDENTIFICATION**

The applicant(s) must provide proof of identification at the contract signing. This may be any form of identification approved by the Secretary of State for notarized signatures, such as: a state driver's license, a U.S. Passport, a foreign passport that has been stamped by the U.S. Immigration Service, a state identification card, or a military identification card. The document used for identification must be current or issued within the last five years.

## **C. SHREDDING DOCUMENTS**

Occasionally applicants withdraw from SCEIP after the contract documents have been prepared and/or signed. After a two-week period, if the applicants have not requested their documents, the contract paperwork can be recycled with the exception of any financial information (bank statements, social security numbers, etc.), which must be shredded.

## **D. RIGHT TO CANCEL**

Upon contract execution, applicants are provided the notice of right to cancel form, giving them a three-day window, called the rescission period, to cancel the contract without losing certain fees. This period begins at midnight the day after the contract signing, includes Saturday but excludes Sunday, and ends at midnight on the third day. If an applicant cancels during this period, all fees and charges incurred by the applicant to this point shall be refunded.

## **E. WITHDRAWAL POLICY**

Once a title search has been performed, no title search costs will be refunded for a withdrawn application, except when application is withdrawn during the three-day right to cancel period. No fees or costs will be refunded for an application withdrawn after the three-day right to cancel period. If an application is withdrawn after the lien has been recorded (after the three day right to cancel), the applicant will be charged an additional \$26 to remove the lien.

Physical files for an applicant will be retained for 14 days following the County's receipt of a notice of withdrawal. If applicant has not claimed the documents in 14 days, the documents will be shredded. Any existing electronic documents associated with the withdrawn application will be retained for future reference.



## V. PAYMENT AND DISBURSEMENT POLICIES

### A. DISBURSEMENTS

#### General Policies

Once the rescission period has passed, the County issues a notice to proceed to the property owner. When the project is completed, the property owner can request disbursement by submitting a request for disbursement.<sup>4</sup> The County requires the property owner to provide the contractor(s)'s final invoice(s) and the signed final permit to process a request for disbursement.

The County requires signed final permits or a signed job card that has been posted at the job site. A printout of a permit from the Sonoma County Permit and Resource Management Department website is not an acceptable proof of final permit. A contractor's proposal may not be accepted as the final invoice unless it specifically states on the proposal that it will serve as the final invoice.

Disbursement checks will be mailed to the property owner unless the property owner specifies that he or she will pick up the check. A check that is not picked up within three business days will be mailed. A final assessment settlement statement, which is an itemized list of fees and charges and net disbursement to the applicant, is mailed with the check.

#### Single Disbursements

For residential projects, the County processes checks on the first County business day of every week (the "disbursement day"). To ensure timely payment, property owners should submit all necessary paperwork regarding the completion of the work along with the request for disbursement to SCEIP by 4:00 p.m. on the Wednesday before the next disbursement day. The deadline may change for disbursements that occur near a holiday. In addition, the County in its sole discretion may process checks on any day of the month to make disbursements to property owners from a revolving fund. The property owner does not pay interest that accrues from the time of disbursement until the date on which the County receives bond proceeds for the improvements, which generally is the first County business day of the next month.

For commercial projects, the County processes checks on the first County business day of the month. Property owners must submit the request for disbursement and required documentation to SCEIP at least five Business Days before the end of the month.

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<sup>4</sup> The Notice to Proceed must be issued by SCEIP to the property owner prior to the property owner requesting disbursement. To do otherwise would condone that the work had been completed before SCEIP authorization was granted to proceed with the project.

### Multiple Disbursements

A multiple disbursement contract will be used for all applications approved for \$40,000 and over, regardless of whether the applicant chooses to receive a disbursement prior to completion of the improvement. An applicant may request one or more disbursements before completion of the improvement if 75% of materials have been delivered and secured onsite. Following an inspection to verify this 75% of the material on a cost basis has been delivered and secured, SCEIP will fund up to 50% of the total approved amount. Alternatively, if multiple improvements are being made, and one improvement is completed as documented by an associated finalized permit, 100% of the approved improvement cost will be paid. No onsite inspection is required when a finalized permit can be provided.

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 work for which the payment is being requested has been completed and to process the additional payment.

### **B. PAYMENT TO CONTRACTORS**

Because the SCEIP contract is between the County and the property owner, disbursement checks can only be requested by and made payable to the property owner; they cannot be made payable to the contractor.

### **C. TAX LIEN PLACED**

All property owners must sign and notarize the SCEIP Assessment Contract and the Implementation Agreement. Four business days after the execution of the contract documents, the County will record a lien for the full amount of the assessment on the property that secures the assessment, plus capitalized interest as described above in this Policy Document.

### **D. LIEN PREPAYMENT**

A property owner may pay off the balance of the assessment prior to the end of the assessment repayment period. The County may charge a 3% prepayment premium. Currently, SCEIP financing is funded through an investment by the Sonoma County Treasury and property owners are not required to pay a premium for prepayment. However, in the future, the County may use other funding sources that might require property owners to pay an early payment premium of up to 3%.

SCEIP cannot accept partial prepayments. Payoffs are permitted in full only and the property owner must pay both the outstanding principal balance and the interest accrued through the next date on which the County may release the related bond. At

the time of prepayment, the County will charge a \$26 release of lien fee. The prepayment timeline in Appendix C describes this in more detail.

The County will provide the property owner a payoff quote free of charge unless it will be used for escrow purposes (formal documentation required to initiate the payoff from the property owner's escrow account), in which case the property owner will be charged \$35. The payoff quote is valid until the end of the month, which means that funds must be received by the Sonoma County Treasury before close of business on the last day of the month. If a title company or other third party requests a payoff quote on behalf of a property owner, the requesting entity will be charged \$35. The property owner must furnish a signed and notarized Customer Authorization form authorizing the County to release the property owner's payoff information to a third party.

## E. COLLECTIONS OF DELINQUENT ASSESSMENTS

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 Alternative Method<sup>5</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.

The following italicized statement may be provided to other lien holders to describe the County's policy for collection of delinquent assessments:

*To raise funds for SCEIP to pay for property owner improvements financed through SCEIP, the County has issued and continues to issue bonds purchased by investors. These assessment bonds are repaid over time through the County's collection of SCEIP assessments. The County collects SCEIP assessments from property owners on the consolidated property tax bills, together with general property taxes.*

*The properties upon which SCEIP assessments are levied are subject to the same provisions for sale and redemption as are properties for nonpayment of general taxes. This means that upon delinquency, a property is declared to be "tax-defaulted." If the property retains its "tax-defaulted" status for a period of five years (or under certain*

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<sup>5</sup> The Teeter Alternative Method 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.

*conditions, three years for nonresidential commercial property), the County Tax Collector is required under state law to foreclose upon the property to satisfy the tax delinquencies. This is commonly called a “tax sale.”*

*If property owners do not pay their consolidated property tax bills on time, the installments of SCEIP assessments on these delinquent property tax bills will also be delinquent. A shortfall in SCEIP assessment revenues received by the County may cause the County to have insufficient funds to pay the scheduled principal and interest payments on the bonds it issued to fund SCEIP.*

*State law also authorizes the County to covenant in an assessment bond document to bring a court action to foreclose on the lien of a delinquent SCEIP assessment and, upon the issuance of a judgment by the court, to sell the underlying real property at a judicial foreclosure sale prior to the time otherwise required for the tax sale. The purpose of such a covenant is to prevent the County from defaulting on its bonds that provide moneys for SCEIP. Therefore, investors purchasing SCEIP assessment bonds may require the County to review delinquencies at the end of each tax year and to commence judicial foreclosure proceedings on parcels if certain delinquency thresholds are reached for the tax year.*

*As the covenants are typically written, the County would be required to review delinquencies each year, and if a parcel has delinquent SCEIP assessment installments that exceed a certain dollar amount, or if total delinquent SCEIP assessments for the year exceed a certain percentage, the County would be required to commence judicial foreclosure proceedings on the delinquent parcels during that year. In any such foreclosure proceeding, the County is only allowed under state law to collect the delinquent installments of the SCEIP assessment (together with statutory penalties, interest, and costs). The remainder of the SCEIP assessment remains a lien on the property, assumed by the purchaser at the judicial foreclosure sale.*

*At the beginning of the judicial foreclosure process, state law generally requires the County to serve notice on all parties with an ownership interest in, or lien on, the property. This includes parties holding a lien on the property that is junior to the lien of the SCEIP assessment. This notice provides junior lien holders an opportunity to pay and cure the delinquency, which would end the foreclosure proceeding and therefore preserve the junior lien holder’s security interest in the property.*

## VI. PROPERTY OWNERSHIP POLICIES

### A. CHANGE IN LIFE STATUS

SCEIP staff must be able to identify who owns the property and have all property owners sign the necessary documents.

#### Death of Property Owner

If a person is deceased on the property title and the title was held as:

- Joint Tenant: the surviving joint tenant should file an Affidavit of Death with the County Recorder
- Tenant in Common: The applicant must go to probate court to determine the rightful owner. This process is long and must be completed prior to the Application submittal.
- Community Property with Right of Survivorship: When death of a joint tenant occurs, the surviving joint tenant must file an Affidavit of Death with the County Recorder's office.
- Trust Ownership: Trustee is the owner of the property and the property is distributed according to trust instructions.

If the death certificate is from outside Sonoma County, the surviving tenant must file and record an Affidavit of Death with Sonoma County Recorder's Office. This will remove the deceased from the property title.

In all cases, applicants must provide a copy of the Affidavit of Death, if applicable, and the death certificate with the Application.

#### Marriage or Divorce of a Property Owner

If an applicant's name on the property title is different from their legal name due to a marriage or divorce, legal proof of the name change, such as a copy of the marriage or divorce certificate, must be provided. The contract will be drawn in the name shown on the title and the property owner may sign their current name with "who took title as [prior name]."

### B. TRUSTS, CORPORATIONS AND LIFE ESTATES

Properties held in trusts are eligible for SCEIP funding. The legal trust document must be provided that includes the trustees, their signatures, the notary block, and their powers to encumber the property by lien. The powers may be so stated or the California Probate Code sections 16200 through 16249 may be cited. All trustees must sign the Application.

If property is held as a life estate, SCEIP funding may be provided as long as the actual owner(s) of the property **and** the recipient(s) of the Life Estate sign all the documents (Applications, contracts, etc.). A copy of the legal Life Estate document must be provided, just as for a Trust.

If property is held in a corporation, LLC or 501(c)3, the organizational documents for the business and any documents which stipulate who is designated to enter into legal documents on behalf of the business must be provided.

### C. POWER OF ATTORNEY

An applicant may appoint a Power of Attorney to act on his or her behalf throughout the Application process and to enter into the SCEIP contract. The Power of Attorney document must be provided that states the assignee, his or her powers, the signature of the assignor and the notary block.

SCEIP does not allow an assignment to be made to a contractor for disbursement checks. All payments from the County will be made payable to the applicant.

### D. ADDITIONAL DOCUMENTATION

The documentation to be provided by the applicant and described in this above is not exhaustive. In many cases, the question of who or what entity owns and controls title to the subject property is complicated and SCEIP staff may request additional documentation on a case by case basis.

## VII. MISCELLANEOUS POLICIES

### A. CONTRACTOR POLICIES

#### Standards of Conduct

Individual contractors must meet certain minimum criteria and sign the Contractor Standards testifying that they meet these criteria.

#### SCEIP Participating Contractor

A contractor cannot participate in SCEIP (the project will not be funded) unless the business principal has signed the Contractor Standards and the required documentation is on file at SCEIP. Once these documents have been received, the contractor will be added to the Participating Contractor list. A revised list is uploaded to the SCEIP website weekly or as necessary to remain current.

Documents required to be a SCEIP Participating Contractor are:

- Signed Contractor Standards
- Liability Insurance (\$1,000,000)
- Workers' Compensation (for all persons the contractor employs; not necessary for self-employed contractors with no employees)
- Local Business License (if applicable)
- Information Sheet

### Local Contractor

A local contractor is defined as having a business address within Sonoma County and employing at least one full-time employee. Contractors who are self-employed with no employees will be considered local if they meet the business address criterion.

### Two Bids Required

Applicants are required to get a minimum of two bids, one of which needs to be from a local contractor. If the applicant has initially selected a local contractor(s), only one bid is necessary.

## **B. TITLE SEARCH POLICIES**

For projects requesting less than \$5,000, the title search charge is \$50. In such cases, a limited title search is conducted. For projects requesting \$5,000 to \$500,000, the title search charge is \$125. The title search reports will list the assessed values of the property, which may include the property categories "L&I" (land and improvements), "Growing" (agricultural value), "Fixtures" (equipment), and "PP" (personal property). The title report should not show "MH PP" (Mobile Home Personal Property). The Title search company has instructions to notify SCEIP staff immediately if property is a mobile home.

For commercial properties, only the value of the land and improvements is used to determine the assessed value; the value of the business should not be included.

For requests over \$500,000, title insurance is required in lieu of a standard title search. The larger amount is a much greater exposure to bond holders, so title insurance provides greater assurance that the title to the property is clear of any unfavorable encumbrances at the time of funding. It also ensures that there are no unexpected obstacles to the qualifying criteria.

The County will only use standard title reports from its contracted title search service. The County will not accept a title report from the applicant.

## **C. ADVICE**

While SCEIP staff should be able to answer questions about SCEIP, SCEIP staff will refrain from providing advice. It is allowable and considered good customer service to

provide resources for customers if they require additional information beyond the scope of SCEIP, such as websites or phone numbers.

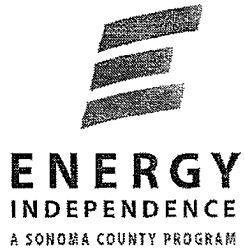
As noted above, SCEIP staff cannot provide applicants with advice regarding federal income tax credits; rather, applicants should be told to seek the advice of a qualified tax advisor.

SCEIP staff cannot review mortgage documents or provide applicants with advice about existing agreements or security instruments.

#### **D. PURCHASE OF SCEIP BONDS**

Inquiries received from a party interested in purchasing SCEIP bonds should be directed to the Sonoma County Assistant Treasurer at 707-565-6124.





# Prepayment Timeline

Example:

- 20 Year assessment
- Prepayment midway between scheduled property tax payments

