

## **Sonoma County Energy Independence Program SUMMARY OF FINANCING PROCESS**

The Sonoma County Energy Independence Program (“SCEIP”) provides financing (“PACE 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 PACE Financing through an assessment on their property payable in semi-annual installments on their property tax bills.

Once the property owner knows what energy projects that the owner wants installed and decides to finance the energy projects through SCEIP, the first step is preparing and submitting the application. This can be done through the website, ([www.sonomacountyenergy.org](http://www.sonomacountyenergy.org)) or in the SCEIP office at 2300 County Center Dr., Suite A105 Santa Rosa, California 95403. Program Staff can provide the application by mail, email, or fax upon request by calling the SCEIP office at (707) 565-6470.

### **A. Project Scoping**

The first step in the process is project scoping. For residential properties<sup>1</sup>, water conservation and energy surveys are highly recommended but not required. 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 a water and energy audit will help property owners assess water conservation, energy efficiency, and renewable energy opportunities for their property. Online surveys can be conducted through SCEIP's website <http://sonoma.planetecosystems.com/?url=action-plan>. Residential property owners can obtain an onsite survey by hiring a Home Energy Rating System (“HERS”) rater, or equivalent. For more information, go to <http://www.energy.ca.gov/HERS/index.html>.

For most commercial properties, an onsite energy audit is required to participate. PG&E and the Healdsburg Electric Utility offer free onsite audits to help property owners determine the most efficient route to maximize their investment. To schedule an energy audit:

PG&E: (707) 577-7077

Healdsburg Electric: (707) 529-0160 or email Ross Colley at [rcolley@teaa.net](mailto:rcolley@teaa.net)

Alternatively, a full Building Performance Test may be performed and costs may be included in the financing request.

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

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<sup>1</sup> For SCEIP, “residential property” is defined as single-family properties with 1-to-4 residential units; “commercial property” is all other property.

conduct onsite audits or surveys may be included in your application for PACE 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>2</sup> or determines the cost of the equipment if self-installing.

Interested property owners can visit the SCEIP office, located at 2300 County Center Dr., Suite A105 Santa Rosa, California 95403 or contact Program 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 a PACE Financing application form (the "Application"). The Program 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. Title Search**

Program Staff will verify property ownership by performing a title search. Applicants are responsible for the costs of the title search as follows:

- a. Financing requests less than \$5000: \$50
- b. Financing requests \$5000 to \$500,000: \$125
- c. Financing requests over \$500,000 require a full title search and title insurance: Contact SCEIP for estimate.

## **D. Application Review**

During the Application Review process, Program Staff verifies that:

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<sup>2</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.

- a. The Application is complete and accurate;
- b. All PACE Financing eligibility requirements are met<sup>3</sup>; and
- c. PACE Financing funding is available.

Within 15 business days of receipt of an application, Program Staff notifies the property owner if the application is incomplete, approved, denied or requires additional approval.

An application shall be deemed incomplete if it is missing any information or attachments the property owner is required to provide. All requested documentation must be submitted within 30-days.

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

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

Applications for PACE Financing for amounts from \$60,000 to \$500,000 require approval from the SCEIP Steering Committee. The property owner will be notified that the application is complete and has been forwarded to the SCEIP Steering Committee for approval. Applications for PACE Financing for amounts greater than \$500,000 require approval of the Board of Supervisors. The property owner will be notified that the application is complete and has been forwarded to the Program Administrator to prepare an agenda item for the Board of Supervisors. The property owner will be advised once a Board of Supervisors date is set.

With respect to an application to finance a renewable energy generation system(s) other than solar (such as wind or geothermal) or a custom energy efficiency measure(s) (such as a combined heat and power system cogeneration system), or to finance an emerging technology ("Custom Measures"), Program 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. Program Staff may also charge an additional administrative fee for this technical review to be discussed with the property owner before proceeding.

## **E. Financing**

### **1. Financing Amounts and Duration of Assessment**

The minimum amount to finance through SCEIP is \$2,500. All Assessment Contracts below \$5,000 are subject to a 10-year assessment repayment period. Both 10- and 20-

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<sup>3</sup> Eligibility requirements may be found on the [SCEIP website](#).

year terms are available for assessments of \$5,000 and greater. Generally, the term should be consistent with the life of the improvement.

Improvement costs must be reasonable to property value, but there is no maximum for a SCEIP assessment contract provided PACE Financing requirements are met. All contracts for amounts \$60,000 to \$500,000 must be approved by the SCEIP Steering Committee and may require additional documentation. SCEIP Assessment Contracts for amounts over \$500,000 must be approved by the Board of Supervisors.

## 2. Schedule of Fees

Certain program fees must be paid at the time they are incurred.

## 3. Eligible Expenses

The following costs may be included in an Application for PACE Financing:

- Project materials
- Installation labor by participating contractor
- Building performance evaluations conducted prior to application submittal
- Permit fees
- Engineering and design costs
- Appraisal costs – certain restrictions apply. Consult with Program Staff.

## 4. Ineligible Expenses

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

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

## 5. Contingency Financing

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

## 6. Rebates

The value of expected rebates, but not the value of expected tax credits will be deducted from PACE Financing. “Expected rebates” do not include rebates that: (1) are contingent on performance, or (2) 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.

## 7. 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, Program 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.

8. Refunds of Costs and Fees

If an applicant 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.

9. Interest Rate

The interest rate for SCEIP Assessment Contracts is set at the time the property owner signs the contract documents. It cannot go up after signing. Currently the SCEIP interest rate is 7%. Periodically the interest rate is reviewed by the Program Administrator with the approval of the Board of Supervisors.

10. Assessment Lien and Capitalized Interest

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.

11. 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.

12. 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 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, 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 Program 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.

Alternatively, if a project includes multiple work scopes, 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.

13. Final Inspections & Disbursement of PACE 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 showing all costs, less any rebate amounts, and a Request for Disbursement form.

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.

14. 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 2013 – September 2014	2014-15	December 2014
October 2014 – September 2015	2015-16	December 2015
October 2015 – September 2016	2016-17	December 2016