

Local Government Energy Efficiency

Best Practices

FINANCING

Sonoma County, including the participation of all cities in the county:

Cloverdale, Cotati, Healdsburg, Petaluma, Rohnert Park, Santa Rosa, Sebastopol, Sonoma and the Town of Windsor

Population: 482,000

SUMMARY

Sonoma County's Energy Independence Program (SCEIP) provides an opportunity for property owners to finance permanently affixed energy efficiency, water efficiency and renewable energy improvements through a voluntary assessment.

These assessments are attached to the property to secure the financing, and are not personal to the property owner. Assessments are paid back through the property tax system over time.

The program is operated by the County of Sonoma, in partnership and with financing resources from the Sonoma County Water Agency.

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Sonoma County Energy Independence Program

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PROGRAM HIGHLIGHTS

- Participation is voluntary.
- Energy efficiency, water conservation and renewable energy generation upgrades must be permanently attached to the property to qualify. Eligible improvements include insulation, cool roofing, heating and air conditioning systems, waterless urinals, solar photovoltaic systems and energy efficient windows. Appliances that can be removed such as dishwashers and washing machines are not eligible.
- Improvements must be for existing buildings; new construction does not qualify.
- Assessment contracts are secured by a lien on the property being improved; when the property is sold, the assessment stays with the property.
- Repayment is made through the property tax bill over time. Interest is 7% simple interest, fixed for the term of the assessment, which can be 10 or 20 years.
- Assessments are limited in amount by a lien-to-value maximum, and cannot exceed 10% of the value of the property. Title to the property must be free of involuntary liens, and the borrower must be current on all property taxes.

Sonoma County Energy Independence Program

LESSONS LEARNED

- Confer with financial institutions as soon as possible regarding the scope of the program and program standards and controls.
- Anticipate significant financial interest and demand from the start. Plan for additional and long term funding at inception of the program.
- Be creative; study options with an open mind such as unconventional funding sources.
- Budget for ongoing staffing, processing, operations, and education and marketing costs as a part of the planning process.
- Have a strong legal team for operations and finance.
- Plan for a physical storefront that provides human contact and facilitates participation.
- Create a robust partnership with local contractors. With educational outreach prior to inception of the program, contractors will become a force in the community and one of the best marketing and information channels.

THE REST OF THE STORY

The Sonoma County Energy Independence Program goals include:

- Reducing property owners' utility bills and increasing their indoor health and comfort.
- Boosting the local economy and augmenting California's power grid.
- Fulfilling the energy, water conservation and climate protection commitments of the County and the cities within it.

SCEIP is a key element in achieving Sonoma's county-wide greenhouse gas (GHG) reduction goals. Lower energy use translates directly into reduced GHG emissions and helps secure the area's energy future. Reducing water use helps conserve a finite water supply and saves energy as well. Renewable projects add green power to the mix, replacing standard utility electricity.

To help meet GHG reduction goals, carbon credits attributable to improvements financed by SCEIP, if any, will be held jointly by the County of Sonoma (on behalf of SCEIP), by the Sonoma County Water Agency, and by the Sonoma County Transportation Agency.

To apply for SCEIP financing, a commercial property owner must obtain a PG&E or equivalent energy evaluation, and a residential property owner must

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complete a SCEIP on-line Action Plan or equivalent energy evaluation. Applicants may choose a contractor licensed in California, providing at least one bid for work from a local contractor. The SCEIP Annual Payment Calculator is available online to estimate repayment costs.

If there is a mortgage on a commercial property, acknowledgement of the lender is required. A building permit, with local building inspector sign-off once the job is complete, is required for all SCEIP improvements.

The Auditor-Controller Treasurer-Tax Collector is the SCEIP Program Administrator and is authorized to enter into contractual assessments on behalf of the County. The Sonoma County Water Agency's administrative offices house the storefront where the public can interact with the Program. [> more...](#) ...

Sonoma County Energy Independence Program

continued from page 2 > The County believes this face-to-face contact has helped to make the program so successful. While a potential customer could go online to fill out an application, having someone help with and explain the process has encouraged more participation.

The County together with the Sonoma County Water Agency provided the start-up funds. The County has allocated \$45M from its Treasury pool, and the Water Agency has allocated \$15M in assets to augment the funding pool. Bonds will be sold or another appropriate method of replacing these assets will be chosen when the program's volume meets the requisite threshold for replenishing available funding.

In three years, SCEIP provided \$56.5M in funding to over 1,700 property owners in the county. About half of them involved solar installations, and the balance involved energy or water efficiency projects. Average contract amounts are \$28,000 for residential projects and \$189,000 for commercial projects.

The simple interest rate is 7%, of which 4% is used to cover operating costs, with 3% representing the cost of accessing funding. If PACE bonds become eligible for tax exempt status, the interest rate could drop, depending on the market rate for a tax exempt rather than taxable asset. It is possible that rates could drop by 1 to 2%.

Based on the number and type of improvements funded, in three years the program has created or retained approximately 70 full time local construction jobs, or 690 jobs over the life of the improvements (manufacturing to installation to eventual replacement).

Additionally, given the robust financing of local construction work, which otherwise would not have been done, it is assumed that the relative strength of the Sonoma County construction sector relative to neighboring counties is a result of program activity. 86% of all funded improvements have been installed by local contractors.

GAINING POLITICAL SUPPORT

The Sonoma County Board of Supervisors was supportive of SCEIP from the beginning, but there were a lot of collaboration meetings with all of the cities in the county before the launch.

Sonoma County and each of its incorporated cities and towns have established a goal to reduce their greenhouse gas emissions (GHGs) 25% below 1990 levels by 2015. This unified goal facilitated support from all nine incorporated cities and towns for a PACE program.

The Program Administrator had many pre-launch discussions with local and regional banks to make sure they understood the program.

The County met with industry and contractor interests, including a local solar group and builder's exchange, and partnered with the local utility, PG&E. They did a lot of preparatory work to be as inclusive as possible to gain buy-in and avoid any negative reactions.

LEARN MORE

Sonoma County Energy Independence Program:

www.sonomacountyenergy.org/

The **SCEIP payment calculator** provides applicants the ability to estimate the annual cost of their assessment as it will appear on their property tax bill: www.sonomacountyenergy.org/lower.php?url=annual-payment-calculator

The **SCEIP Program Report and Administrative Guidelines** is available at: http://drivecms.com/uploads/sonomacountyenergy.org/Policy%20Documents/Program_Report_Admin_Guidelines.pdf

The **PACE How-To Manual** provides in-depth information about planning, developing and launching a PACE program, and how existing programs are operating: www.sonomacountyenergy.org/lower.php?preview=1&url=resources-for-local_governments

SIMILAR PROGRAMS

■ Berkeley FIRST

www.ci.berkeley.ca.us/ContentDisplay.aspx?id=22196

■ Western Riverside Council of Governments HERO Financing Program

<http://wrcog.herofinancing.com/>

■ Palm Desert Energy Independence Program

www.cityofpalmdesert.org/Index.aspx?page=484

■ **California FIRST** is a statewide effort to provide the financing and administrative functions for communities adopting AB811 programs. It is a program of California Communities, a statewide joint powers authority sponsored by the California State Association of Counties and the League of California Cities.

www.californiafirst.org

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For more information about this case study:
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Funded by California utility ratepayers and administered by California's investor owned utilities under the auspices of the California Public Utilities Commission.

Financing

The relative strength of the Sonoma County construction sector relative to neighboring counties is a result of SCEIP activity.

ADDITIONAL RESOURCES

■ **The Energy Aware Planning Guide**, developed for the **California Energy Commission**, contains policy and implementation ideas; energy, environmental and economic benefits; and other resources on energy financing districts. Check the Community Energy section of the Guide:

www.energy.ca.gov/energy_aware_guide

■ **ICLEI–Local Governments for Sustainability** offers a suite of resources to assist local governments in implementing energy efficiency measures and reduce greenhouse gas emissions.

www.californiaseec.org

■ **The Institute for Local Government's Climate Change Program** provides resources, information, and recognition to help local agencies reduce greenhouse gas emissions and save energy.

www.ca-ilg.org/ClimateChange

■ **The Local Government Commission** provides many free resources to assist local governments in reducing greenhouse gas emissions and energy use including newsletters and publications, fact sheets, model projects, and articles.

www.lgc.org/SEEC