COUNTY OF SONOMA

575 ADMINISTRATION DRIVE, ROOM 102A
SANTA ROSA, CA 95403

APPROVED

July 8, 2025

SUMMARY REPORT

THE WITHIN INSTRUMENT IS A CORRECT COPY OF THE ORIGINAL ON FILE IN THIS OFFICE

ATTEST: July 8, 2025

M. CHRISTINA RIVERA, Clerk/Secretary

BY Noelle Francis

Agenda Date: 7/8/2025 #71

To: Sonoma County Board of Supervisors
Department or Agency Name(s): Auditor Controller Treasurer Tax Collector and County Administrator Office
Staff Name and Phone Number: Erick Roeser 707-565-3295, Kathy Parnell 707-565-6124, Rhianna Frank 707-565-6483, Terri Somers 707 565-6489,
Vote Requirement: Majority
Supervisorial District(s): Countywide

	Ayes	No
Hermosillo	x	
Rabbitt	x	
Coursey	x	
Gore	x	
Hopkins	x	

Title:

Sonoma County Energy Independence Program Update and Recommendations

Recommended Action:

A) Approve a wind-down of the residential component of the Sonoma County Energy Independence Program, and
B) Accept recommendation to continue the commercial-only program, effective March 1, 2026, and direct staff to return to the Board with an annual program update.

Executive Summary:

The Sonoma County Energy Independence Program ("SCEIP" or "Program") plays a pivotal role in advancing the County's climate and resiliency objectives, particularly those outlined in the Climate Action and Resiliency pillar of the Strategic Plan and the Climate Resilience Comprehensive Action Plan, which envisions a carbon-neutral, zero-waste, and climate-resilient Sonoma County. SCEIP aligns with this vision by providing Property Assessed Clean Energy (PACE) financing for energy, water, wildfire safety, and seismic strengthening improvements.

In December 2024, the Consumer Financial Protection Bureau (CFPB) adopted new federal regulations, as mandated by Congress, that will significantly impact SCEIP. Effective March 1, 2026, the Program will be required to comply with federal underwriting standards applicable to residential mortgage loans for all residential PACE applications. This includes verifying a property owner's ability to repay by evaluating income, credit history, debt obligations, and employment status, which is a significant departure from the property-based underwriting model that SCEIP has utilized since its launch in 2009.

A comprehensive review by the Program's Steering Committee (which includes representation from the Auditor-Controller-Treasurer-Tax Collector's Office, Sonoma County Administrator's Office and County Counsel) determined that implementing these new requirements would be fiscally unsustainable. Accordingly, the Steering Committee recommends phasing out the residential portion of the Program, with no new residential assessment contracts to be executed after February 28, 2026.To meet this cut-off, no new residential applications would be accepted after January 12, 2026. Existing contracts will not be impacted.

It is also recommended that the County continue to maintain and expand the commercial portion of the Program.
This would allow the County to utilize its existing infrastructure and expertise to focus on commercial PACE,

which is not subject to the CFPB's new regulations. Commercial PACE is already included in the Program authorized by the Board and reflects less than 20% of the Program's total funded projects to-date and has not been heavily targeted with marketing and communication. As such, this may represent an underserved market segment, with the potential for projects that generate very large carbon reductions in support of County climate goals. The longer-term viability of continuing this commercial-only approach will be reassessed and staff will return to the Board with an update.

Additionally, the Auditor-Controller-Treasurer-Tax Collector recommends the Program maintain the existing financing interest rate for contracts executed by the end of the year to continue to be aligned with market yields for comparable Treasury investments with a similar average maturity. This would preserve the SCEIP financing interest rate at 7.99%, while the allocation for Program operations would remain at 4.00% and the Treasury Investment Pool would earn 3.99%.

Discussion:

BACKGROUND

SCEIP is a County-administered, public service program that provides financing and education services community-wide to assist in meeting the County's greenhouse gas emission reduction goals and to promote community resilience to grid power interruptions, and natural disasters such as drought, earthquakes, and wildfires. The Program provides financing to property owners, which is secured by placing an assessment on their property to fund eligible improvements. The funds are then repaid through property taxes over a period of 10 or 20 years, with a fixed interest rate. Financing is currently available to both residential and commercial property owners. A residential property owner can request up to 10% of the current market value of the property, however, the amount of the requested financing plus the amount of any existing liens cannot exceed 95% lien-to-value (LTV) ratio. A commercial property owner must obtain lender acknowledgment of the requested SCEIP assessment, and the property's market value is generally determined by the lender acknowledgment, which is also utilized to determine LTV.

Staff has developed strategies and actions as part of its education and outreach for reducing racial inequities and ensuring access for all Sonoma County residents, including underserved members of our community. The Program provides access to capital through financing that does not consider a property owner's income, credit score, or debt-to-income ratio, which increases access to non-traditional capital resources.

PROGRAM UPDATE

The Program's administrative cost is funded through a portion of the interest rate applied to the financing. Currently, the Program has a 7.99% financing interest rate, with a 4.00% increment of the interest going towards the Program's administrative costs and the remaining 3.99% portion of the interest rate going towards the Treasury's investment to its existing portfolio. The Treasury purchases the monthly bonds created by the Program, and as such, the investments must earn a reasonable rate of return for its Pool participants. As a benchmark and for comparative purposes, as of May 28, 2025, the rate on a 5-year U.S. Treasury Note is 4.06%.

Interest Rate Environment and Potential Impact on Early Payoffs

The Federal Reserve Open Market Committee (FOMC) began reducing interest rates in September 2024, with the Target Fed Funds rate reduced by a total of 100 basis points (or 1.00%) during the second half of the year. These actions lowered the Target Federal Funds rate from 5.50% to 4.50% (upper bound) by December 2024. While there have been no additional interest rate decreases since December 2024, market expectations currently suggest further rate decreases may occur in 2025 and 2026, although the timing and magnitude (and ultimately the direction) of any future rate changes remain uncertain. Based on a review of the prevailing interest rate environment, including the Treasury yield curve and forward curve, no change is recommended to the SCEIP financing interest rate at this time.

During the last period of Fed tightening, which began in March 2022, the Target Fed Funds rate was increased eleven times from 0.25% to 5.50% as of July 2023. During this period, mortgage applications nationwide declined sharply, which coincided with the higher mortgage rates, and resulted in a slow-down in the amount of mortgage refinance activity. This benefited SCEIP as observed by significantly lower early payoffs in the Program's assessments, thereby contributing to a higher bonded project balance and greater interest revenue. Staff projects that early payoffs are likely to increase in future years, not only due to possible reductions in interest rates, but also due to other factors, which could be detrimental to the Program. Home sales and purchases, which may have been on pause due to the higher mortgage interest rate environment or lower available inventory, may begin to increase if mortgage rates continue to decline, which could increase SCEIP payoffs and adversely impact the Program. Additionally, adjustable-rate mortgages that were financed during the Pandemic at historically low interest rates may begin to reset at higher rates, which could contribute to an increase in observed refinancing activity, which could also increase early payoffs.

Application Volume

The Program has received 101 financing applications to date for FY 2024-25, compared to 183 in FY 2023-24 and 264 in FY 2022-23. This fiscal year, as of May 1st, SCEIP has bonded 118 applications totaling $5,092,049 as compared to 132 in FY 2023-24 which totaled $6,340,630 and 133 applications in FY 2022-23 which totaled $5,5973,715. The Program has funded over $111 million in completed and bonded projects to date. Energy efficiency projects exceeded $27.7 million, energy generation projects, such as solar, exceeded $75 million, wildfire safety exceeded $7.8 million, and seismic and water conservation account for $273,000. The Program has bonded a total of 126 in commercial projects totaling $17,577,539 and 3,768 Residential projects totaling $94,022,461 to date.

Operating Fund Condition

The Program's operating fund has a single source of net revenue: interest paid on bonded projects net of interest expense paid on SCEIP bonds. Net revenue is influenced by the number of new projects bonded and the rate at which existing assessments are paid off. The recent growth in bonding of new projects, coupled with the decrease in early payoffs, caused an overall increase in operating revenue to the Program. Currently, early payoffs are lower than previous years; however, staff anticipates that there may be a back log of homeowners waiting for an interest rate reduction to refinance their homes. This expectation has been factored into the Program's fiscal projections.
Projections for FY 2025-26 vs. FY 2024-25 (Current Estimate):

- No growth is projected in annual bonding in FY 2025-26 - Annual bonding is projected to decrease substantially from the peak in FY 2023-24. We are currently projecting a 35% decrease in bonding this year. The outstanding bond balance is still projected to grow this year, but at a slower rate than in the previous two years.
- 7% rate is projected for payoffs in FY 2025-26 - currently trending at 5.0%
- Expenses budgeted at $1,709,257 - current estimate is $1,383,078 or 81% of projection.

Beginning in FY 2023-24, the Program was advanced $100,000 from the General Fund as a loan to the Program, which your Board approved in July 2022. The advance was necessary to address timing of cash inflows and outflows. The advance is accounted for in the projected fund balance at year end. If the advance is repaid in FY 2025-26, the ending cash balance for FY 2024-25 is projected to be $714,835.

CONSUMER FINANCIAL PROTECTION BUREAU (CFPB) AND RESIDENTIAL PACE

In May 2018, Congress passed a new law amending the federal Truth in Lending Act, which required the Consumer Financial Protection Bureau (CFPB) to adopt regulations imposing ability-to-repay requirements on property assessed clean energy (PACE) financing. After a six-year formal rulemaking process, the CFPB adopted new PACE regulations on December 17, 2024. County staff was actively engaged in the rulemaking process, including submittal of written comments at every opportunity, numerous meetings with CFPB staff, and submittal of SCEIP data for review and analysis by the CFPB. During the rulemaking process, County staff sought an exception from the pending regulations for programs like SCEIP, that are operated by local government entities for the benefit of the community without use of private administrators or other for-profit intermediaries. Despite these efforts, County staff were unable to obtain an exclusion for SCEIP from the new requirements.

Commencing March 1, 2026, the Program will be required to make an ability-to-repay determination of a property owner prior to executing a residential assessment contract, including consideration of the owner's income, credit history, debts, and employment status. Implementing these new underwriting requirements would significantly increase financing costs, and would be a sea change for the Program, which has traditionally relied on property-based underwriting criteria, like lien-to-value and loan-to-value ratios. The new regulations also impose new consumer disclosure requirements. Based on preliminary investigation by Program staff, implementing these underwriting requirements would cost between $800 and $1,200 per SCEIP application.

Under the Trump administration, new CFPB leadership has taken measures to significantly reduce staffing of the CFPB and shift the focus of its supervision and enforcement priorities. The staffing reductions are currently being challenged in federal court by the employee unions. Despite the looming uncertainty around the agency's staffing and priorities, the new PACE regulations are published, final regulations, which require no further action by the agency. Repealing the regulations, on the other hand, would require an act of Congress or initiation of a new formal rulemaking process by the CFPB. County staff have consulted with our federal lobbyist and are not aware of any formal action being initiated by Congress or the CFPB to repeal the PACE regulations.

Additionally, a PACE trade organization recently filed a complaint against CFPB in a Florida federal district court challenging the legality of the regulations. Among other claims, the complaint alleges that the regulations infringe on the sovereign taxing authority of the states. The plaintiff is seeking an injunction pending adjudication of the claims, which if granted, could delay the effective date of the regulations. The litigation is in its very early stages and County staff will be tracking its progress.

If formal action to repeal the final regulations is taken by the CFPB or Congress, or if a court issues a ruling delaying the effective date or invalidating the final regulations, staff will return to the Board to review next steps for the Program.

Recommendation:

Wind-Down of Residential Program and Transition to Commercial-Only

Under this scenario, the County would officially cease entering into new residential assessment contracts as of March 1, 2026, thereby marking the end of new activity under the residential portion of the Program. Following this cutoff date, County staff will shift focus toward its a commercial program. This transition provides an opportunity to explore and develop services for the commercial sector-an area that has not previously been prioritized under the current program model, while assessing how this would impact the future stability of the Program.

During FY 2025-26, Program staff will continue to manage and support existing residential assessment contracts. This includes assisting property owners with project completion, processing fund disbursement requests, and facilitating the bonding of executed contracts. The majority of staffing resources dedicated to the residential component of the program will be phased out as the Program shifts exclusively to commercial

A detailed projection of fiscal impacts and operational costs through FY 2031-32 is included in Attachment 5 of this item. Through the financing of commercial SCEIP projects, program revenues will continue to be generated, which will benefit in the long-term periods when overall operating costs are estimated to exceed program revenues.

As part of the residential program's wind-down, the County's Energy & Sustainability Division will undergo a strategic restructuring to align staffing and operational costs with the reduced program footprint. This effort aims to mitigate potential impacts to the General Fund as the program concludes.

It is important to note that this change affects only the Sonoma County Energy Independence Program (SCEIP). Other initiatives managed by Energy & Sustainability-including those funded by Bay Area Regional Energy Network (BayREN) and PG&E Local Government Partnership (LGP) funds-will remain unaffected and continue as planned.

County staff will return to the Board at a future date with a comprehensive proposal outlining the restructuring of Energy & Sustainability in response to these programmatic changes.

Alternatives:

1. **Compliance**: This approach involves implementing the new underwriting requirements outlined in the PACE regulations, including making an ability-to-repay determination for each Program applicant prior to execution of an assessment contract. The associated programmatic costs of compliance are detailed in Attachment 6, with overall increases ranging from $800 and $1,200 per SCEIP application. Adopting this strategy ensures that the County's program remains in full compliance with federal regulations by

the March 1, 2026, effective date. If the incremental costs attributed to new underwriting requirements were passed through to the homeowner, staff anticipates that SCEIP applications would drop considerably, making the path forward unsustainable. Based on analysis conducted by Program staff, the new costs of compliance would make the Program less competitive with private lending and eliminate some of the advantages that have made the Program attractive to some property owners. As such, bringing the Program into compliance is likely to make the Program fiscally unsustainable.

2. **Full Wind-down of SCEIP**: Under this scenario, the Program would stop accepting all new applications after January 12, 2026. This would still entail a wind-down period during the first half of 2026, as well as limited ongoing work during the tail during the term of existing contracts. Staff analysis suggest that any commercial loans issued in this window would increase the long-term fiscal stability of the programs wind-down, even if the commercial-only model does not prove viable. Additionally, the County would not be able to benefit from potential greenhouse gas reductions as the result of commercial projects. As such this option is not preferred.

Strategic Plan:
This item directly supports the County's Five-year Strategic Plan and is aligned with the following pillar, goal, and objective.

Pillar: Climate Action and Resiliency
Goal: Goal 2: Invest in the community to enhance resiliency and become carbon neutral by 2030
Objective: Objective 2: Provide $20 million in financing by 2026 that incentivizes property managers and renters to retrofit existing multi-family housing towards achieving carbon neutral buildings.

Racial Equity:

Was this item identified as an opportunity to apply the Racial Equity Toolkit?
No

Prior Board Actions:
3/18/2025 - Sonoma County Energy Independence Program Semi-Annual Bonding Authorization
9/17/2024 - Sonoma County Energy Independence Program Update and Interest Rate Determination
3/16/2024 - Sonoma County Energy Independence Program Semi-Annual Bonding Authorization
9/19/2023 - Sonoma County Energy Independence Program Semi-Annual Bonding Authorization 5/23/2023- Sonoma County Energy Independence Program Update and Interest Rate Determination
3/14/2023 - Sonoma County Energy Independence Program Semi-Annual Bonding Authorization

FISCAL SUMMARY

Narrative Explanation of Fiscal Impacts:
This item is not asking for any fiscal adjustments. Depending on the Board determination, staff will return with a future item discussing necessary staffing or other changes and associated fiscal adjustments.

STAFFING IMPACTS

Narrative Explanation of Staffing Impacts (If Required):
There is no staffing impact related to this item. Depending on the Board determination, staff will return with a future item discussing necessary staffing or other changes and associated fiscal adjustments.

Attachments:

1: SCEIP Program Report and Administrative Guidelines
2: PowerPoint Presentation
3: Current Program Budget and Fiscal Projections Summary
4: Consumer Financial Protection Bureau Final Rulemaking Summary
5: SCEIP Fiscal Projections through FY 2045-46
6: County Compliance Requirements and Associated Programmatic Costs

Related Items "On File" with the Clerk of the Board: N/A

Sonoma County
Energy Independence Program

PROGRAM REPORT AND

ADMINISTRATIVE GUIDELINES

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REV 02/25/2025

Sonoma County Energy Independence Program

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, agricultural, or other real property, thereby making such improvements more affordable and promoting their installation. Because water use and energy use are closely linked, the California Legislature also authorized financing water conservation improvements.

In 2009, the Sonoma County Board of Supervisors created the Sonoma County Energy Independence Program ("SCEIP" or "Program"). The SCEIP works at the request and with the consent of property owners to provide financing for eligible improvements. Property owners repay SCEIP financing through an assessment levied against their property which is payable in semi-annual installments on property tax bills. SCEIP financing was originally limited to water conservation, energy efficiency and renewable energy generation improvements.

In 2011, the California Legislature approved the Seismic Safety Finance Act (AB 184), codified as Section 5899 of the California Streets and Highways Code, effective January 1, 2012, which authorizes contractual assessment programs to finance the installation of seismic strengthening improvements that are permanently fixed to residential, commercial, industrial, agricultural, or other real property to make them more resistant to seismic activity, ground motion, or soil failure due to earthquakes.

Additionally, in 2018, the California Legislature approved the Wildfire Safety Finance Act (SB 465), codified as Section 5899.4 of the California Streets and Highways Code, effective January 1, 2019 and extending through January 1, 2029, which authorizes voluntary contractual assessment programs to finance the installation of wildfire safety improvements that are permanently fixed to existing residential, commercial, industrial, agricultural, or other real property.

In 2019, the Sonoma County Board of Supervisors expanded the SCEIP to provide financing for both seismic strengthening and wildfire safety improvements.

Currently, the SCEIP will provide financing to property owners within the County for water conservation, energy efficiency, seismic strengthening, wildfire safety, and renewable energy generation improvements under contractual assessment agreements.

A. Goals.

The 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 water conservation, energy efficiency, seismic strengthening, wildfire safety, and renewable energy generation improvements.

The SCEIP provides multiple benefits. By enabling property owners to take responsible energy, water conservation, and construction hardening actions, the SCEIP will reduce their utility bills[1] and improve the resiliency of their buildings. 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.

B. Program Benefits.

From the County’s perspective, the SCEIP will be a key element in achieving GHG reduction goals. The SCEIP provides a significant tool for funneling more resources into the shift to greater efficiency, renewable energy use, and energy independence. 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. In addition, construction hardening can make properties and the County as whole more resilient to wildfire and seismic events and may also result in

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[1] 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.

prevention of greenhouse gas emissions through durability of structures. In addition, the Program creates or retains jobs in the building industry.

For property owners, the SCEIP offers a no-money-down means of financing water conservation, energy efficiency, seismic strengthening, wildfire safety, and renewable energy generation 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 County Administrator's Office ("SCEIP staff") in administering SCEIP.

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/financing.

SCEIP staff responsibilities will include:

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

II. Program Requirements

A. Program Report.

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

[2] See California Streets and Highways Code Section 5898.22.

- A map showing the boundaries of the territory within which contractual assessments are permitted;

- 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; a method for setting priority for applications in the event that requests appear likely to exceed the authorization amount; and a description of SCEIP's eligibility requirements;

- A plan for funding the SCEIP; and

- Information on the County's cost of placing assessments on the tax roll.

B. Geographic Parameters.

The County offers the SCEIP throughout its jurisdiction. All cities and towns within the County have agreed, through Cooperative Agreements, to authorize properties within the incorporated area to be included in the SCEIP and permit voluntary assessments to be established within their jurisdictions for water conservation, energy efficiency, renewable energy generation, seismic strengthening and wildfire safety improvements.

A map showing the County's boundaries, being the area within which the 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[3];

- Property owner is current on all mortgage(s).[4] For commercial property,[5] lender has signed a Lender Acknowledgement of Owner Participation form regarding the SCEIP financing;

- Improvement costs are reasonable to property market value.[6] 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 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.

The 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 the SCEIP if financing additional water conservation, energy efficiency, seismic strengthening, wildfire safety, and renewable energy generation improvements are desired by the owner, and if the total requested financing amount of all applications falls within program guidelines.

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[3] 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.

[4] 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.

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

[6] Property market value ("property value" or "market value") is determined by an Automated Valuation Model for residential properties up to $1.5 million, or an appraisal by a California certified real estate appraiser, or a Broker's Price Opinion, or a Fair Market Analysis Report performed by a California licensed broker. For commercial properties only, a signed lender acknowledgement form.

D. Eligible Equipment.

The SCEIP affords property owners in Sonoma County the opportunity to take advantage of a wide range of improvements, consistent with the following provisions:

(1) The 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, the SCEIP financing is also available for purchasers of new homes and businesses that wish to add water conservation, energy efficiency, seismic strengthening, wildfire safety, and renewable energy generation after taking title to the property. SCEIP financing is also available to add energy efficiency, renewable energy, and water conservation improvements to newly constructed owner-occupied properties.

(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) Seismic strengthening improvements;

(d) Wildfire safety improvements;

(e) Renewable energy generation; and

(f) Custom improvements.[7]

A detailed list of improvements is set out in SCEIP's Eligible Improvements list. These are collectively referred to herein as "Eligible Improvements".

SCEIP financing is also available for projects that combine Eligible Improvements, such as bundling of water conservation, energy efficiency, seismic strengthening, wildfire safety, and renewable energy generation improvements. For instance, a property owner may choose to replace an aging and inefficient furnace, install seismic bracing, install high efficiency toilets and install a photovoltaic system.

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[7] 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.

E. Eligible Costs and Program Fees.

(1) Project Costs. Eligible costs of the Eligible 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,[8] and inspection charges.

The installation of Eligible Improvements can be completed by a participating contractor[9] 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 water conservation, energy efficiency, seismic strengthening, wildfire safety, and renewable energy generation improvements. Property owners who elect to engage in new construction on properties intended for owner occupancy may only receive SCEIP financing for water conservation, energy efficiency, and renewable generation SCEIP-eligible improvements, except to the extent that construction is required for the SCEIP-eligible improvement. Seismic strengthening and wildfire safety improvements may only receive SCEIP financing for the retrofit of existing structures. Repairs on any property and/or new construction on properties that are not intended for owner occupancy do not qualify for SCEIP financing except to the extent that the construction is required for the SCEIP-eligible improvement. Repairs to existing infrastructure, such as water and sewer laterals, are considered repairs and are not eligible.

The value of expected rebates[10] but not the value of expected tax credits will be deducted from SCEIP financing.

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.

[8] 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.

[9] 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.

[10] "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.

(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 $140 for projects $5,000 to $500,000. Projects greater than $500,000 will require title insurance.

(b) Recording fees for documents required to be recorded, which include the Notice of Assessment and Payment of Contractual Assessment Required, are set by state law and the Recorder's Office. The fee for recording the Notice of Assessment and Payment of Contractual Assessment Required is currently $41.00. Should a property owner decide to pay off the assessment prior to full maturity, the recording fee for the lien release fee is currently $50.00.

(c) 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.

(d) Multiple disbursements are projects installing an improvement $40,000 and greater or lesser projects that involve separate improvements completed by separate SCEIP participating contractors. Multiple disbursement projects will begin to 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 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. Disbursement can be made for the portion of the work completed, as long as a final invoice and a final, signed off permit for the completed scope of work is provided. No onsite inspection fee required. A detailed summary of the SCEIP financing process is attached as Appendix E.

(e) There is a cost of $16.50 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 the SCEIP fees and charges.

F. Refunds of Costs and Fees.

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

G. Administrative Costs.

The County may elect to cover all or a portion of the 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 the 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 six categories or "tracks" of technologies under which property owners may participate in the SCEIP. Eligible Improvements must meet specified minimum efficiency standards, as applicable. 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 Seismic Strengthening Track.

The Seismic Strengthening Track covers strengthening and anchoring projects.

D. The Wildfire Safety Track.

The Wildfire Safety Track covers construction hardening and fire-wise projects.

E. The Renewable Energy Track.

The Renewable Energy Generation Track covers renewable energy generation projects

F. The Custom Improvement Track.

The development of technologies is encouraged by the SCEIP as a means of diversifying the County's energy sources. The Custom Improvement Track will evaluate and provide funding, if appropriate and authorized under state law, for innovative projects.

Applicants for the Custom Improvement Track should consult with the 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 for Improvements to Existing Construction

A. Residential Properties.

By participating in the 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 considerations regarding the energy efficiency, durability, comfort, health, 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. A minimum of an online self-evaluation of household energy efficiency is required for participation in the SCEIP to assess water conservation, energy efficiency, and renewable energy generation opportunities for the property.

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, or equivalent. For more information, go to https://www.energy.ca.gov/programs-and-topics/programs/home-energy-rating-system-hers-program. 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 the 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 the SCEIP financing. Property owners should also check with their local water provider to see if free water conservation surveys are available.

V. Program Parameters

A. Minimum Financing Amount and Duration of Assessment.

The SCEIP Assessment Contracts are available for up to 20-year terms to accommodate a wide range of Eligible Improvements. 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 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 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 $75,000 to $500,000 must be approved by the Program Administrator and may require additional documentation. The SCEIP Assessment Contracts for amounts over $500,000 must be approved by the Board of Supervisors.

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

C. Maximum Portfolio.

The County initially funded the SCEIP with a commitment of up to $45 million. The County will explore other financing opportunities, with the goal of expanding the 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.

The interest rate for the 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 the SCEIP.

On June 4, 2024, the Board of Supervisors approved a contract interest rate of 7.99 percent, effective July 3, 2024.

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, the 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[11], 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 Eligible 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.

The County will manage the 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 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 the 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.

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[11] 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.

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

The SCEIP's intention is to participate in the statewide CAEATFA PACE Loss Reserve Program ("Loss Reserve"), authorized by the California Legislature's Senate Bill 96 (2013), so long as the SCEIP is eligible under CAEATFA's regulations. 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 covers 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. To the extent the SCEIP is eligible to participate in the Loss Reserve, the 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 and comply with CAEATFA's reporting requirements. The Loss Reserve currently consists of $10 million of state funds.

VIII. 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 the SCEIP. In addition, the Program Administrator may, in consultation with the SCEIP Steering Committee and County Counsel, waive specific eligibility requirements or program procedures on a case-by-case basis so long as any such waiver is consistent with applicable law and furthers the purposes of SCEIP.

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Sonoma County Energy Independence Program
Appendix A – Eligible Improvements

The SCEIP offers funds for a number of equipment types, including water conservation improvements, energy efficiency improvements, seismic strengthening improvements, wildfire safety improvements, renewable energy generation systems, and other innovative custom improvements that comply with state law. 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. Seismic Strengthening Improvements

Seismic strengthening improvement funding is available for existing buildings to make them more resistant to seismic activity, ground motion, or soil failure due to earthquakes. Examples of seismic improvements include strengthening of cripple walls and sill plate anchorage of light, wood-framed buildings.

4. Wildfire Safety Improvements

Wildfire safety improvement funding is available for existing buildings and includes a range of equipment, systems, and technology that meet ignition-resistant, ember-resistant, or non-combustible material ratings. Improvements include roofing, siding, eaves, soffits, decks, windows, roof gutters and gutter enclosures, vents, and hardscaping. Under current legislation, the SCEIP financing can only be used for these types of wildfire safety improvements until January 1, 2029.

5. 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.

6. Custom Improvements

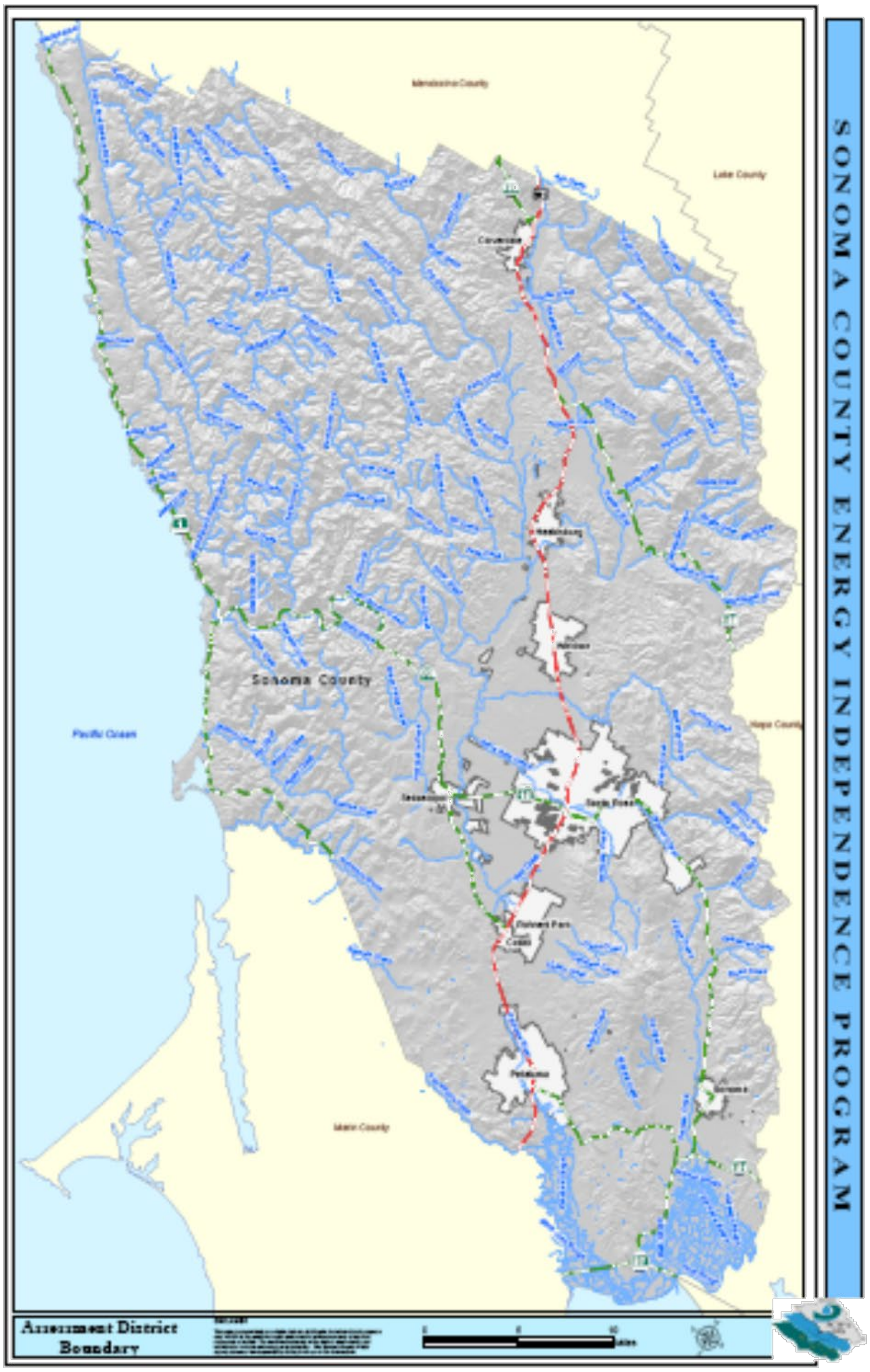
The Custom Improvements Track is a process by which the SCEIP staff can evaluate and fund projects that are not "off the shelf" improvements on the SCEIP eligible improvements list. These custom projects may involve large scale industrial or commercial energy efficiency improvement projects, such as 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 and authorized under state law, 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[12] 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.

[12] The steering committee is a SCEIP advisory committee comprised of members with legal, operational, and financial backgrounds.

Sonoma County Energy Independence Program
<u>Appendix B – Map of Geographical Area</u>



Sonoma County Energy Independence Program
Appendix C – Application

Document available online at www.sonomacountyenergy.org/financing

Sonoma County Energy Independence Program
Appendix D – Contract Documents

The following contract documents are available online at www.sonomacountyenergy.org/financing

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 provides financing for the installation of energy efficiency improvements, water efficiency improvements, seismic strengthening improvements, wildfire safety 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, durability and the cost effectiveness of the improvements.

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[13] or determines the cost of the equipment if self-installing.

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@sonoma-county.org.

B. Program Application

The property owner visits the SCEIP website (www.sonomacountyenergy.org/financing) or the SCEIP office to complete a 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.

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[13] Two bids are required if the selected contractor is not a local contractor, as determined by the Program Administrator. 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.

C. Application Review

During the Application Review process, the SCEIP staff verifies that:

a. The Application is complete and accurate;

b. All SCEIP eligibility requirements are met[14]; and

c. The SCEIP funding is available.

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

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

Applications for the SCEIP financing for amounts from $75,000 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 the 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.

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"), the 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. The 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. After the right of rescission period expires following execution of the Contract Documents, the SCEIP Staff will issue a Notice to Proceed to

[14] Eligibility requirements may be found on the SCEIP website

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, the 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, or 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 the 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 the 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 final, signed-off permit for that improvement. No onsite inspection is required when a final permit can be provided.

H. Final Inspections & Disbursement of the SCEIP Financing

After Improvements are completed, the Property owner must contact the local permitting agency for a final inspection and final, signed-off permit. The Property owner notifies the SCEIP that all work has been completed and submits final documentation: final 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:

DISBURSEMENT DATE(S)	FIRST TAX YEAR	FIRST-HALF OF ANNUAL PAYMENT DUE
October 2023 – September 2024	2024-25	December 2024
October 2024 – September 2025	2025-26	December 2025
October 2025 – September 2026	2026-27	December 2026

SCEIP BUDGET TO ACTUAL SUMMARY REPORT AS OF APRIL 30, 2025

SCEIP Program Fund

Budget to Actual Summary Report
June 30, 2025

Period
10

	July	August	September	October	November	December	January	February	March	April	May	June	Year to Date
										CY ESTIMATES Highlighted blue & P Y A C T U A			
Beginning Cash:	831,325	351,704	(104,231)	963,625	559,545	484,617	372,327	358,671	467,667	662,549	442,333	381,481	
Revenue	1	2	3	4	5	6	7	8	9	10	11	12	
Program Interest													
DS - 4%	-	-	529,264	31,915	-	-	-	-	624,138	-	-	61,272	1,185,317
Payoffs	2,649	3,902	312	694	1,704	2,146	2,255	376	1,307	1,353	1,916	1,586	16,699
Cap-I	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Program Interest	2,649	3,902	529,576	32,610	1,704	2,146	2,255	376	625,445	1,353	1,916	62,859	1,202,016
Fees and Charges													-
Administrative Fees	-	-	9,621	-	-	-	-	-	32,307	-	19,241	-	41,928
Title Search Fees	140	-	-	420	-	-	-	140	-	-	280	18,060	700
Recording Fees	391	250	300	332	450	100	300	191	300	350	182	5,776	2,964
Miscellaneous	184	0	(0)	(176,529)	(0)	(0)	0	(0)	0	0	16	8,989	(176,345)
Total Fees and Charges	715	250	9,921	(175,777)	450	100	300	331	32,607	350	19,720	32,825	(130,754)
Transfers In - ISD Replacement Fund	-	-	-	-	-	-	-	-	-	-	-	5,886	-
Interest Income	-	-	-	10,517	-	-	6,688	-	-	6,206	-	7,341	23,411
Total Revenue	3,364	4,152	539,496	(132,650)	2,154	2,246	9,243	707	658,052	7,910	21,635	108,911	1,094,674
Expenses													
Salaries and Benefits													
CAO- E&S	10,019	40,993	50,391	109,338	25,498	69,981	43,597	47,799	45,724	47,009	48,600	147,350	490,350
Total Salaries and Benefits	10,019	40,993	50,391	109,338	25,498	69,981	43,597	47,799	45,724	47,009	48,600	147,350	490,350
Services and Supplies													-
Professional Services	32,446	2,021	20,987	22,545	4,360	23,651	123	1,820	980	24,116	1,911	26,764	133,048
County Services - A87	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal Services	-	707	1,256	6,326	7,324	6,248	3,533	3,454	2,355	7,458	3,596	10,717	38,659
ACTTC - Admin	-	-	-	-	-	-	-	-	-	-	-	93,100	-
Client Accounting	-	-	-	47,971	-	26,128	18,769	11,687	-	26,016	16,834	37,877	130,571
Audit Services	-	-	6,494	14,206	-	-	-	-	-	-	-	-	20,700
Marketing / Advertising	-	304	1,151	450	5,335	2,700	3,448	2,700	5,386	2,904	5,780	-	24,378
Assessment Recording	-	566	447	269	471	328	416	369	268	274	449	1,588	3,408
Prop Tax Admin Fee	-	-	-	-	-	-	-	-	-	-	-	-	-
ISD	-	3,901	3,901	3,901	3,901	3,901	3,901	3,901	3,351	3,351	4,154	7,443	34,011
Miscellaneous	1,178	3,739	4,788	1,020	1,316	1,089	1,452	1,551	46,715	1,314	1,162	5,382	64,161
Total Services and Supplies	33,623	11,238	39,024	96,687	22,707	64,045	31,642	25,483	59,055	65,433	33,887	182,870	448,937
Amortization Expense - Portal	2,445	2,445	2,445	2,445	2,445	2,445	2,445	2,445	2,445	2,445	2,445	2,446	24,455
Transfers Out - ISD DMP Repl Fund	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	46,088	54,676	91,861	208,471	50,651	136,471	77,685	75,727	107,224	114,888	84,932	332,666	963,742
Net Income (Cost)	(42,724)	(50,525)	447,636	(341,121)	(48,498)	(134,225)	(68,441)	(75,020)	550,828	(106,978)	(63,297)	(223,754)	130,932
Other Cash Outflows / Inflows													
PFA Funding (County)	-	292,260	750,927	201,189	47,900	64,937	-	322,772	180	52,550	468,477	331,804	1,732,715
SCWA Funding	-	-	-	-	276,156	261,429	360,777	54,327	-	300,244	-	-	1,252,933
Disbursements	(410,960)	(700,116)	(133,153)	(266,594)	(355,331)	(304,477)	(308,437)	(195,529)	(358,571)	(468,477)	(331,804)	(327,882)	(3,501,644)
Total Other Cash Outflows / Inflows	(410,960)	(407,856)	617,774	(65,405)	(31,275)	21,889	52,340	181,569	(358,391)	(115,683)	136,673	3,921	(515,996)
Cash Adjustments/Accruals	(25,937)	2,445	2,445	2,445	4,845	45	2,445	2,445	2,445	2,445	(134,228)	(1,476)	
Ending Cash Balance:	351,704	(104,231)	963,625	559,545	484,617	372,327	358,671	467,667	662,549	442,333	381,481	160,172	

Consumer Financial
Protection Bureau

1700 G Street NW, Washington, DC 20552

December 17, 2024

Executive Summary of the Residential PACE Financing Rule

On December 17, 2024, the Consumer Financial Protection Bureau (CFPB) issued the Residential Property Assessed Clean Energy (PACE) Financing final rule.[1] The final rule:

- amends Regulation Z's exclusion of tax assessments and tax liens from the definition of credit to clarify that voluntary tax assessments and tax liens, such as PACE financing, are not excluded under TILA and Regulation Z;
- recognizes PACE financing as meeting the definition of credit under TILA and Regulation Z;
- prescribes ability-to-repay requirements for residential PACE financing; and
- makes other amendments and exemptions to make clear how other rules in Regulation Z apply to PACE financing.

This final rule implements a rulemaking requirement for the CFPB in the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA). The final rule is effective on March 1, 2026.

[1] This is a Compliance Aid issued by the Consumer Financial Protection Bureau. The CFPB published a Policy Statement on Compliance Aids, available at https://www.consumerfinance.gov/policy-compliance/rulemaking/final-rules/policy-statement-compliance-aids/, that explains the CFPB's approach to Compliance Aids.

Covered transactions

The final rule applies to residential PACE financing. The final rule generally covers "PACE transactions," which the rule defines as financing to cover the costs of home improvements that result in a tax assessment on the real property of the consumer. Covered PACE transactions are voluntary transactions repaid through the property tax system alongside the consumer's other property tax payment obligations.

While Regulation Z excludes certain tax liens and tax assessments from TILA coverage, the final rule clarifies this exclusion applies to *involuntary* tax liens and *involuntary* tax assessments. Because PACE transactions are voluntary financial obligations, the final rule makes clear that TILA and Regulation Z do not exclude these transactions. Additionally, because PACE transactions meet the definition of "credit" in existing Regulation Z, the final rule clarifies that they are subject to the provisions of TILA and Regulation Z.

Covered creditors and PACE companies

Generally, the requirements in the final rule apply to creditors, as that term is currently defined in Regulation Z. For example, local government sponsors of PACE programs are typically the creditors in PACE transactions.

Most PACE creditors enlist private companies to administer their PACE programs. The final rule defines "PACE company" as a person, other than a natural person or a government unit, that administers the program through which a consumer applies for or obtains a PACE transaction. The final rule includes factors that may indicate a person administers a PACE program, such as:

- marketing PACE financing to consumers;
- developing or implementing policies and procedures for the origination process;
- being substantially involved in making a credit decision; or
- extending an offer to the consumer.

For example, a PACE company includes private companies that administer PACE programs, but generally does not include a home improvement contractor, as these contractors typically do not administer PACE programs. Similarly, a PACE company generally does not include parties that merely accept PACE transaction applications because accepting applications alone generally would not constitute administering a PACE program.

In addition to the creditor for the PACE transaction, PACE companies that are substantially involved in making credit decisions for PACE transactions are subject to mortgage-related ability-to-repay requirements in Regulation Z, as discussed further below. Under the final rule, a PACE company is "substantially involved" in making the credit decision if the company makes the credit decision, makes a recommendation as to whether to extend credit, or applies criteria used in making the credit decision. A PACE company is not substantially involved in making the credit decision if it merely solicits applications, collects application information, or performs administrative tasks. PACE companies that are substantially involved in making the credit decision for a PACE transaction are subject to TILA civil liability provisions for failure to comply with the ability-to-repay requirements.

General TILA and Regulation Z applicability

As explained in the final rule, PACE transactions are credit under TILA and Regulation Z. As such, the requirements in TILA and Regulation Z will generally apply to covered PACE transactions as they do to other consumer credit transactions secured by real property. For example, the Home Ownership and Equity Protection Act (HOEPA) requirements as implemented in Regulation Z may apply to PACE transactions that are high-cost mortgages as defined in the existing regulation.

The final rule provides two exemptions. First, the final rule exempts PACE transactions from the Higher-Priced Mortgage Loans (HPML) Escrow Rule. The prohibition against extending certain HPMLs unless an escrow account is established before consummation will not apply to PACE transactions that would otherwise be subject to the HPML Escrow Rule requirements.

The final rule also exempts PACE transactions from periodic statement requirements in the Mortgage Servicing Rule.

Ability-to-Repay requirements

The final rule excludes PACE transactions from eligibility for the qualified mortgage categories in the ATR/QM Rule, but does not exclude them from the ability-to-repay requirements of the ATR/QM Rule. The final rule requires creditors and PACE companies substantially involved in making the credit decision to apply the existing ability-to-repay requirements in the Ability-to-Repay/Qualified Mortgage (ATR/QM) Rule for mortgages to PACE transactions. However, to account for the unique nature of PACE transactions, the final rule makes certain adjustments to the ability-to-repay requirements when applied to covered PACE transactions.

For the ability-to-repay requirements, the final rule requires creditors and PACE companies to:

- make a reasonable and good faith determination of a consumer's ability to repay at or before consummation of a covered mortgage loan;
- consider the eight required factors in making the repayment ability determination; and
- verify the information relied on in determining a consumer's repayment ability using reasonably reliable third-party records.

The final rule addresses how the existing ability-to-repay requirements may be applied to PACE transactions. One of the eight required factors for repayment ability determination requires consideration of the consumer's payment obligation on any simultaneous loan that the company knows or has reason to know will be made at or before consummation of the covered transaction. The final rule clarifies that the creditor of a PACE transaction knows or has reason to know of any simultaneous loans that are PACE transactions if the PACE transactions are included in any existing database or registry of PACE transactions that includes the property location's geographic area and to which the creditor has access. This may be relevant for loan splitting or loan stacking of PACE transactions.

Another existing factor for repayment ability determination requires consideration of the consumer's monthly payment amount for the transaction. In PACE transactions, payments are generally due in annual or bi-annual intervals, given that the payments are made as part of the consumer's tax assessment. Further, rather than being paid directly by the consumer to the taxing authority, these payments may be made through an escrow account on the consumer's pre-existing mortgage loan. The addition of the PACE transaction payments to a pre-existing escrow account can result in escrow shortages or deficiencies (as well as increased escrow cushion payments), which can result in a spike in the consumer's periodic escrow account payment. The final rule requires creditors and PACE companies to consider increases to the consumer's escrow account payment as part of their repayment ability determination for the PACE transaction if they know or have reason to know that the PACE transaction will increase the consumer's escrow account payment by an amount that is not otherwise captured in the required ability-to-repay calculations.

The final rule also makes clear that pre-existing PACE transaction payments are considered property taxes for purposes of the definition of "mortgage-related obligation" as used in the existing ability-to-repay requirements.

The final rule also clarifies the third-party record verification requirement. The existing requirement provides that, in verifying mortgage-related property taxes, a creditor may reasonably rely on information if it was provided by a government organization, such as a taxing authority or local government. The final rule specifies that, if a creditor knows or has reason to know of an existing PACE transaction for the consumer, but its verification of existing mortgage-related obligations by a governmental organization does not reflect the PACE transaction, the creditor does not comply with the third-party record verification standard when relying on information provided by the governmental organization, either directly or indirectly, that does not reflect the PACE transaction. For example, during a mortgage application a consumer may inform a mortgage creditor of an existing PACE transaction, giving the mortgage creditor knowledge of a PACE transaction. Alternatively, a creditor may search relevant PACE databases for the property address listed in the consumer's application and identify a PACE transaction not listed on the title report. In either case, the creditor would know or have reason to know of a PACE transaction, and as a result, may not solely rely on the title report for verification as required by the ability-to-repay requirements if the PACE transaction does not appear in the property tax records or property tax information in the title report. This clarification applies regardless of whether a PACE transaction or non-PACE transaction is being originated.

TILA-RESPA Integrated Disclosure requirements

The final rule adds a model Loan Estimate and Closing Disclosure for use with PACE transactions, as well as a Spanish-language translation of each.

The final rule also includes certain modifications, clarifications, and exemptions related to disclosures in the Loan Estimate and Closing Disclosure requirements to account for the unique nature of PACE transactions. For example, these include provisions related to:

- The Projected Payments Tables' disclosure of amounts comprising the periodic payment, and the escrow account and taxes, insurance, and assessment disclosures to include exemptions and modifications.
- The Contact Information Tables to require inclusion of PACE company contact information.
- The Other Considerations Table in the Loan Estimate and the Loan Disclosures Table in the Closing Disclosure to include additional or alternative disclosures related to the "Late Payment," and "Assumptions" disclosure in both forms, the "Servicing" disclosure in the Loan Estimate, and the "Partial Payment" disclosure in the Closing Disclosure.
- The Transaction Information disclosures on the Closing Disclosure to add disclosures about the PACE company.

- The Other Disclosures Table's "Liability After Foreclosure" disclosure in the Closing Disclosure to provide modifications to the disclosure.
- Exemptions from the requirement to provide the Escrow Account Table and related information on Page 4 of the Closing Disclosure.
- Exceptions and modifications to 1) permit applicable unit-period tailoring, such as in the Loan Terms and Projected Payments Tables and 2) permit the use of a specific PACE financing program name that will be recognizable to the consumer in place of the term "PACE," which is used in the new model forms.

ATT 5: SCEIP Cash Balance Projection

	Actual	Actual	Estimate (*)	Estimate	Estimate	Estimate	Estimate	Estimate
SCEIP Cash Balance Projections	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**FY 2026-27**	**FY 2027-28**	**FY 2028-29**	**FY 2030-31**
Outstanding Loans - Beginning of Fiscal Year	**23,695,645**	**27,189,963**	**31,903,920**	**33,093,582**	**33,856,549**	**31,439,502**	**25,965,996**	**14,995,363**
- Payoffs	(1,535,786)	(1,484,703)	(2,062,741)	(2,316,551)	(3,047,089)	(3,458,345)	(3,375,580)	(1,499,536)
- Debt Service (Principal)	(1,371,641)	(1,579,988)	(1,812,730)	(1,985,615)	(2,369,958)	(2,515,160)	(2,596,600)	(1,649,490)
- Disbursements	6,401,746	7,778,648	5,065,133	5,065,133	3,000,000	500,000	-	-
Outstanding Bonds - Fiscal Year End	**27,189,963**	**31,903,920**	**33,093,582**	**33,856,549**	**31,439,502**	**25,965,996**	**19,993,817**	**11,846,337**
Interest Income (4% of Beg Loan Balance)	1,118,790	1,115,624	1,307,191	1,323,743	1,354,262	1,257,580	1,038,640	599,815
Other Misc Income	81,957	253,639	(40,603)	60,000	55,800	51,336	46,202	36,597
Operating Expenses	(1,260,637)	(1,140,344)	(1,383,078)	(1,310,746)	(1,045,890)	(421,850)	(434,506)	(460,967)
Other Cash Outflows / Inflows	(254,362)	445,597	(6,207)					
Debt Service/Debt Proceeds (ACTTC/ General Fun	100,000	-	-	(100,000)	-	-	-	-
Estimated Ending Cash Balance	**156,809**	**831,325**	**714,835**	**687,832**	**1,052,004**	**1,939,070**	**2,589,407**	**3,158,184**

(*) Current year estimate based on year to date actuals and prior year actuals. % below are used not used for FY2023-24. See Projections tab for estimate c

	Actual	*Actual*	*Estimate*	*Estimate*	*Estimate*	*Estimate*	*Estimate*	*Estimate*
Enter Payoff Percentage of Outstanding Loans	*6%*	*5%*	*5%*	*7%*	*9%*	*11%*	*13%*	*10%*
Enter Debt Service Percentage of Outstanding Bon	*6%*	*6%*	*6%*	*6%*	*7%*	*8%*	*10%*	*11%*
Enter Estimated Disbursement % Increase/(Decrea	*26%*	*22%*	*-35%*	*0%*	*-75%*	*-100%*		
Expenses - Actual increase or CPI adjustment for fu	*-5.8%*	*-9.5%*	*21%*	*-5%*	*-20%*	*-60%*	*3%*	*3%*

Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
FY 2032-33	**FY 2033-34**	**FY 2034-35**	**FY 2035-36**	**FY 2036-37**	**FY 2037-38**	**FY 2038-39**	**FY 2039-40**	**FY 2040-41**	**FY 2041-42**	**FY 2042-43**	**FY 2043-44**	**FY 2044-45**	**FY 2045-46**
9,358,606	**7,393,299**	**5,840,706**	**4,614,158**	**3,645,185**	**2,843,244**	**2,160,865**	**1,577,432**	**1,088,428**	**674,825**	**357,657**	**143,063**	**57,225**	**11,445**
(935,861)	(739,330)	(584,071)	(461,416)	(364,518)	(284,324)	(216,087)	(157,743)	(108,843)	(67,483)	(35,766)	(14,306)	(5,723)	(1,145)
(1,029,447)	(813,263)	(642,478)	(507,557)	(437,422)	(398,054)	(367,347)	(331,261)	(304,760)	(249,685)	(178,829)	(71,531)	(40,058)	(11,445)
-	-	-	-	-	-	-	-	-	-	-	-	-	-
7,393,299	**5,840,706**	**4,614,158**	**3,645,185**	**2,843,244**	**2,160,865**	**1,577,432**	**1,088,428**	**674,825**	**357,657**	**143,063**	**57,225**	**11,445**	**(1,145)**
374,344	295,732	233,628	184,566	145,807	113,730	86,435	63,097	43,537	26,993	14,306	5,723	2,289	458
28,988	25,800	22,962	20,436	17,984	15,466	12,837	10,141	7,302	4,600	2,300	1,150	345	-
(465,300)	(455,994)	(446,874)	(437,937)	(416,040)	(395,238)	(375,476)	(356,702)	(321,032)	(288,929)	(260,036)	(195,027)	(97,513)	(48,757)
-	-	-	-	-	-	-	-	-	-	-	-	-	-
3,127,845	**2,993,383**	**2,803,099**	**2,570,165**	**2,317,916**	**2,051,874**	**1,775,669**	**1,492,205**	**1,222,012**	**964,676**	**721,247**	**533,092**	**438,213**	**389,914**

Loan balance using % projections.

Estimate	*Estimate*	*Estimate*	*Estimate*	*Estimate*	*Estimate*	*Estimate*	*Estimate*	*Estimate*	*Estimate*	*Estimate*	*Estimate*	*Estimate*	*Estimate*
10%	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*
11%	*11%*	*11%*	*11%*	*12%*	*14%*	*17%*	*21%*	*28%*	*37%*	*50%*	*50%*	*70%*	*100%*
-2%	*-2%*	*-2%*	*-2%*	*-5%*	*-5%*	*-5%*	*-5%*	*-10%*	*-10%*	*-10%*	*-25%*	*-50%*	*-50%*

Compliance with the CFPB's Final Rule on PACE Financing will require SCEIP to adhere to a more rigorous set of regulations that will be costly to the County and SCEIP participants. Please see key points of the Final Ruling and corresponding regulations below:

1. Application of TILA and Regulation Z:

- PACE financing is now considered credit under TILA and Regulation Z.
- Lenders must comply with TILA/RESPA Integrated Disclosure (TRID) rule.
- Model Loan Estimate and Closing Disclosure forms are provided: with modifications for PACE transactions.
- Ability-to-repay requirements under Regulation Z apply to PACE transactions.
- PACE transactions are subject to Higher-Priced Mortgage Loan (HPML) requirements.
- Loan originator qualification and compensation requirements apply.
- Right of rescission requirements apply.

2. Ability-to-Repay Requirements:

- Lenders must make a reasonable and good faith determination of a consumer's ability to repay at or before consummation of the PACE loan.
- Lenders must consider eight required factors when determining repayment ability.
- Lenders must verify the information relied upon in determining repayment ability using reasonably reliable third-party records.

3. Disclosures:

- Lenders must provide Loan Estimates and Closing Disclosures to PACE obligors, with modifications to the existing forms.
- The rule includes model versions of the Loan Estimate and Closing Disclosure that are modified to account for the unique nature of PACE transactions.
- The model forms include specific disclosures related to PACE financing, such as contact information for the PACE company, late payment, assumptions, servicing, partial payment, and liability after foreclosure.

4. Other Considerations:

- The rule was mandated by Section 307 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA).
- The rule goes into effect on March 1, 2026.

5. Cost of Compliance: Costs are Pass Thru and paid by Property Owner

There would be a significant increase in pass thru fees for applicants which would make the program less attractive to borrowers. The greater number of legal owners per title per parcel will increase the cost of underwriting per application.

- Estimate of cost for underwriting requirements - $800 to $1200 per application (up from $0)
- Cost of Title Search - $140 per application (same)
- Cost of Automated Valuation of property - $16.50 per application (same)
- Recordation of contracts - $41 per application (same)

Estimated cost for applications with two or fewer owners: $ 997.50- $1397.50 (up from $197.50)

6. Application Timeline Expectation:

- 50 days for Property Owner to submit a complete application
- 10 days for Underwriting to verify credit/TILA and RESPA qualifications
- 5 days for Title Report
- 3-5 days for Approval – Inhouse
  - 2-3 days for Approval – if Steering is required (applications over $75K)
- 7 days for Contract Signing
- 3-5 days for Rescission period

Total number of days from Application Initiated to Application in Contract 83 days

7. Anticipated decline in applications:

- In 2022 we polled a group of SCEIP applicants to see if they would participate in the program if the application fees were over $200, $250-$400., over $400.
  - We found that over 50% of the customers would NOT apply to SCEIP if the "out of pocket" application fees exceeded $400.
  - This data was collected at a time when our interest rate was 5.99%

The Program Staff believes that the cost of the CFPB compliance would cause a dramatic decline in the number of SCEIP applications.

Auditor, Controller, Treasurer, Tax Collector and County Administrator's Office

Sonoma County Energy Independence Program Update

July 8, 2025

Recommended Actions

Recommended Actions:

A) Approve a wind-down of the residential component of the Sonoma County Energy Independence Program, and

B) Accept recommendation to continue the commercial-only program, effective March 1, 2026, and direct staff to return to the Board with an annual program update.

Cost of Compliance: Costs are Pass Thru and paid by Property Owner

There would be a significant increase in pass thru fees for applicants which would make the program less attractive to borrowers. The greater number of legal owners per title per parcel will increase the cost of underwriting per application.

- Estimate of cost for underwriting requirements - $800 to $1200 per application (up from $0)
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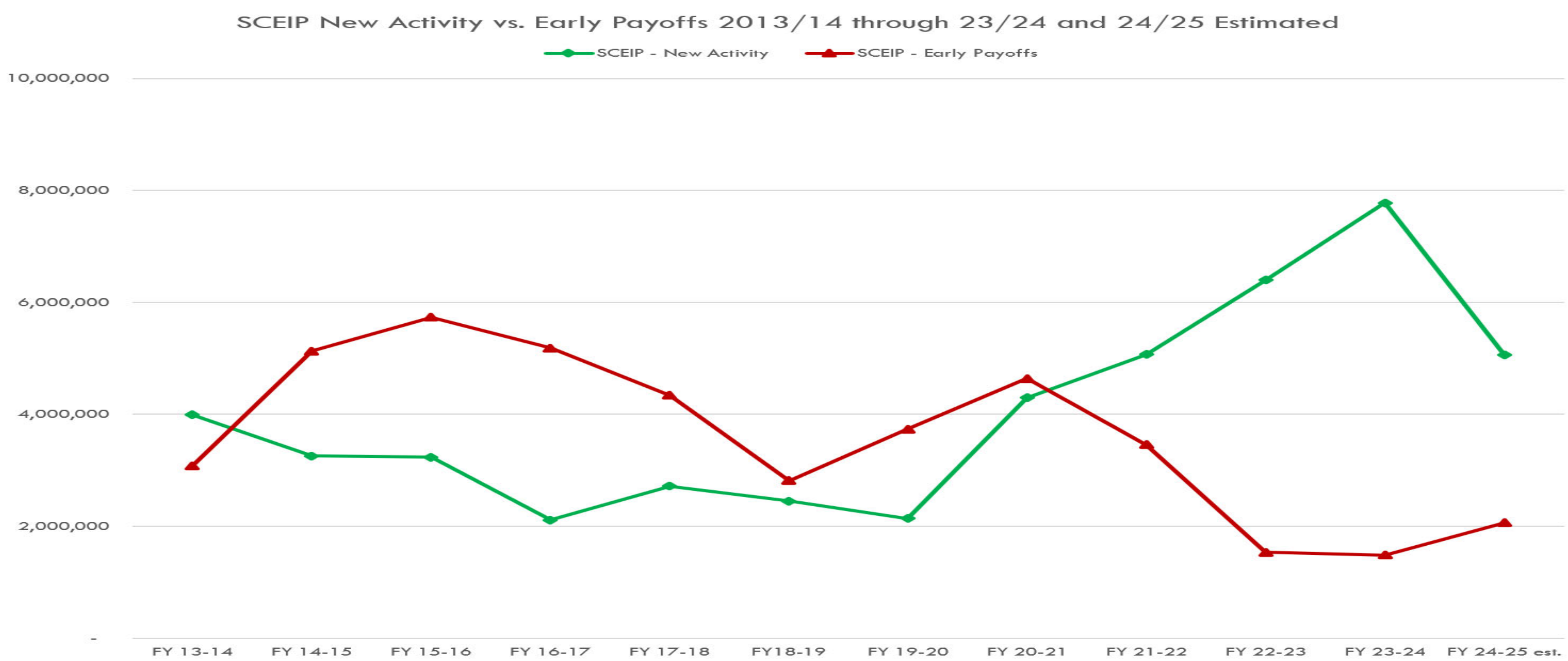
Estimated cost for applications with two or fewer owners: $ 997.50- $1397.50 (up from $197.50)

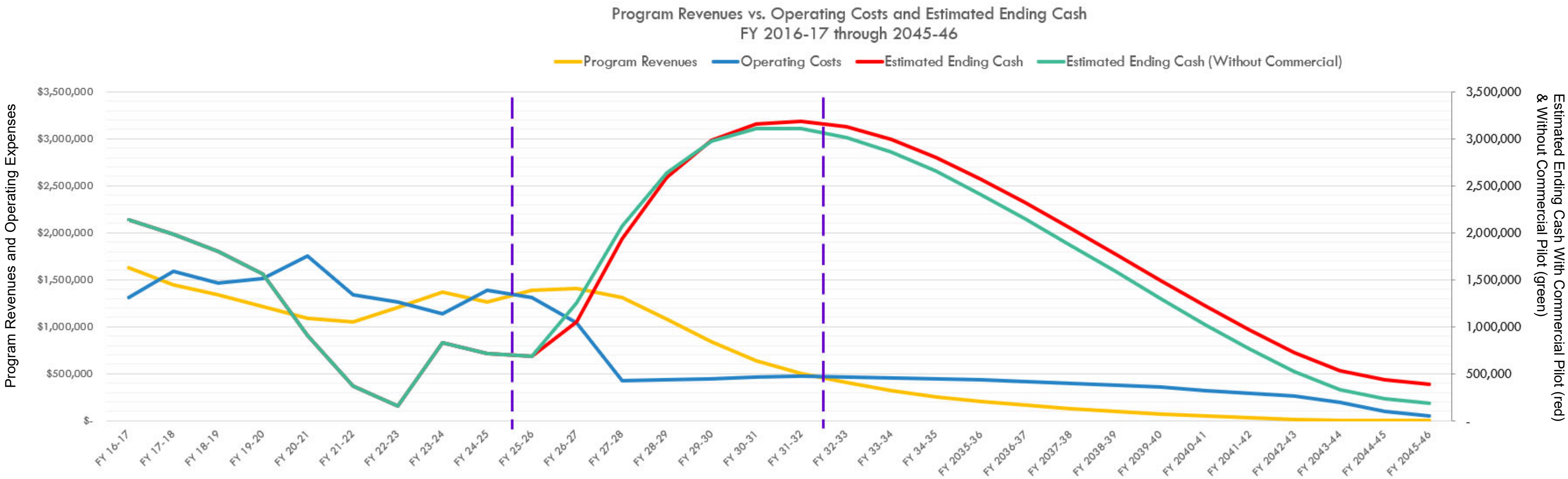
Commercial-Only SCEIP Program

- A Commercial Marketing Campaign is being developed for roll-out in September 2025
- Staff will no longer accept Residential Applications as of 1-12-26
- Staff will build on past successful projects such as: Guayaki Yerba Mate, Slipstone Vineyards, The Upton Building, Cloverdale Mobile home Park, The Rothman Building, Kistler Vineyards, Trenton Vineyards

SCEIP New Activity vs. Early Payoff



SCEIP Cash Flow with Commercial Only



- Staff reduction will result in near term positive effect on fund condition but costs for legally required fund management continue until FY 2045-46
- With commercial only, the outstanding principal and interest revenue both drop, and by 2031-32, revenues are once again lower than operating costs. Ending Cash balance covers expenses thru 2045/46
- General Fund impact : None

SCEIP's Service to Sonoma County

- Disbursed over $112M in financing to date with a tax default/delinquency rate of less than 0.15%
- Provided financing to over 3200 Sonoma County properties
- Financed over $7.8M in Wildfire Safety Improvements
- Financed over $75.6M in Generation Improvements
- Financed over $27.7M in Energy Efficiency Improvements
- 90% of the projects completed by local contractors

Discussion