



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: HCD
Department No.: 055
For Agenda Of: 8/9/11
Placement: Board Hearing
Estimated Tme: 45 minutes
Continued Item: No
If Yes, date from:
Vote Required: 3/5s

TO: Board of Supervisors

FROM: Department Sharon Friedrichsen, Department of Housing and Community
Director(s) Development (x2068)
Contact Info: Angie Hacker, Department of Housing and Community
Development (x3515)

SUBJECT: emPowerSBC Finance Partership Agreement

County Counsel Concurrence

As to form: Yes

Other Concurrence: N/A

As to form: No

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Santa Barbara County Board of Supervisors:

- A. Approve a grant agreement modification for the emPowerSBC BetterBuildings award from the U.S. Department of Energy (DOE) to reflect the redesigned program [Attachment A];
- B. Approve and authorize the Chair to execute an emPowerSBC Santa Barbara County Residential Energy Efficiency Loan Program: Program Agreement with CoastHills Federal Credit Union [Attachment B] and emPowerSBC Santa Barbara County Residential Energy Efficiency Loan Program: Energy Efficiency Loan Loss Reserve Agreement with CoastHills Federal Credit Union [Attachment C] and direct staff to implement the program consistent with the above agreements;
- C. Adopt the emPowerSBC Privacy Policy [Attachment D]; and
- D. Determine that the proposed financing partnership program and the execution of the above agreements is not a "project" pursuant to Section 15378(b)(4) of the California Environmental Quality Act (CEQA) Guidelines and direct staff to file a Notice of Exemption [Attachment E].

Summary Text:

The emPowerSBC program is designed as a financing program to provide convenient and low cost access to capital to help property owners cover the upfront project costs of energy and water efficiency enhancements and retrofits. Originally intended to use property assessed clean energy, or PACE authority, to allow home and business owners to pay back upfront financing for energy and water conservation improvements on their property tax bill, emPowerSBC was redesigned based upon federal policy directives from the Federal Housing Finance Agency challenging the PACE financing mechanism.

The primary difference in program approach, as outlined within the Redesigned Implementation Plan presented to the Board on December 14, 2011, was to secure a financial lending partner willing to offer loans to homeowners, rather than the County serving the role of a financial lender and tying potential energy enhancements to property assessments. As directed by the Board, staff has returned with a financing partnership agreement with CoastHills Federal Credit Union for approval.

In addition, on October 26, 2010, the Board authorized the acceptance of a \$2.4 million competitive grant by the Department of Energy (“DOE”), through a federal market stimulus program known as BetterBuildings. The scope of the grant was modified to reflect the Redesigned Implementation Plan and the action before the Board is to approve the grant modification, which has been recently approved by the DOE. The modification includes the use of \$1 million in grants for a loan loss reserve, which is an essential part of the financial partnership agreement also being considered by the Board for approval.

Background:

Redesigned Program: The awarding of grants by the U.S. Department of Energy and the California Energy Commission provide \$3.2 million in funding for the administration of a clean energy financing pilot program for three years. These grants have enabled emPowerSBC to pursue implementation of its Redesigned Implementation Plan (“Plan”) presented on December 14, 2011, without the allocation of general fund dollars. The Plan includes the components of financing, workforce development, marketing and outreach, and data, evaluation and reporting.

Examples of activities under these components include:

- **Financing:** Research to identify financial institutions for potential partnership and outreach; Development of a Request for Proposal process, bidders conference and selection of lender; Negotiation of loan agreement (subject of today’s Board action); and Development of detailed program workflow and templates and forms required in application and lender reporting process.
- **Marketing and Outreach:** To date, efforts have focused on contractor outreach and training; partnership with Energy Upgrade California to educate consumers about existing rebates and development of preliminary marketing strategies in order to launch the program once the financing agreement is approved by the Board. Intensive marketing efforts will be required once the agreement is approved in order for staff to launch the program and delays in implementation are likely to exist.
- **Workforce Development:** Coordination of training events and workshops to educate contractors on the program, advantages of attaining green building skills and offer building performance related trainings.
- **Data, Evaluation and Reporting:** Regular check-ins and reporting requirements with DOE and CEC and development of data evaluation plan and reporting templates to measure performance.

Financial Agreement and Lender: The attached financial agreement with CoastHills Federal Credit Union (“CoastHills”) known as the Energy Efficiency Loan Loss Reserve Agreement, allows emPowerSBC to transfer up to \$1 million of grant funds to CoastHills to establish a Loan Loss Reserve (“LLR”) for the specific purpose of financing eligible residential energy efficiency projects, given agreed upon interest rates, terms, underwriting criteria and conditions. CoastHills, in return, will offer unsecured loans starting at an interest rate of 5.90% in the amount of \$1,000-\$25,000 not to exceed 15 years depending on the needs and financial qualifications of the loan applicant (the “underwriting criteria”). The LLR of \$1 million is intended to leverage \$20 million in private capital available to potential homeowners that participate in the emPowerSBC program as well as to provide assurance to CoastHills that, in the event of a loan payment default, the LLR will cover 90% of the loss up to 5% of the outstanding portfolio.

CoastHills was selected upon the completion of a Request for Proposal process. CoastHills is a federally chartered credit union that was established in 1958 at Vandenberg Air Force Base to serve the financial needs of military personnel and that currently serves 65,000 members through 11 branches. CoastHills boundaries extend from San Luis Obispo to the Gaviota Coast and the institution has partnered with the

Ventura County Credit Union to ensure service to all of Santa Barbara County. The proposed financing program will be available to owners of single family detached homes in the County of Santa Barbara who qualify for either CoastHills or Ventura County Credit Union membership and meet loan underwriting criteria as well as pursue financing for eligible projects.

emPowerSBC Program Eligibility and Process: The County of Santa Barbara will determine eligible projects, which include energy efficiency, water efficiency improvements as defined by the State’s Energy Upgrade CA (EUC) residential retrofit program, as well as solar improvements. As described in the December 2010 staff report to the Board, emPowerSBC will serve as the Santa Barbara County’s official link and partner with EUC, which provides rebates up to \$4,000 for home energy upgrade projects and connects customers to a directory of qualified contractors. Partnering with EUC allows emPowerSBC to: (1) make upgrades more affordable to residents by combining rebates with financing; (2) co-brand and market energy efficiency enhancements to consumers; (3) collaborate on workforce development including the recruitment and retention of qualified contractors to participate in such programs; and (4) utilize an established quality control processes to verify project eligibility, project completion and results.

The emPowerSBC program process is summarized below:

- Contractor enters into a Contractor Participation Agreement with County.
- Homeowner selects qualified contractor and EUC upgrade package.
- Homeowner selects energy improvements with contractor and submits application to EUC.
- Homeowner receives EUC authorization to proceed and applies for emPowerSBC financing through lending partner of Coast Hills or Ventura County Credit Union.
- After the work is complete, contractor submits application for rebate payment to EUC.
- Homeowner signs closing documents, and lender funds the loan less the rebate amount, paid directly to the contractor.
- Homeowner repays the loan directly to the lender.
- Loan data and project completion data submitted by lender to emPowerSBC and staff provides Department of Energy data on energy retrofits completed and energy usage savings.

Fiscal and Facilities Impacts:

The emPowerSBC is fully funded by three grant sources previously approved by the Board of Supervisor including the Department of Energy, the State California Energy Commission and a Southern California Edison grant with Planning and Development for a total project budget of \$3,223,784 to be expended by 2013. The program will be considered complete when the state and federal financing for the pilot is exhausted. At this point, depending on the program’s ability to achieve its intended outcomes and identify sustainable programmatic revenue sources, the Board will have the option of continuing emPowerSBC, or terminating the program.

Fiscal Analysis:

<u>Funding Sources</u>	<u>Current FY Cost:</u>	<u>Annualized On-going Cost:</u>	<u>Total One-Time Project Cost</u>
General Fund			
State			\$ 772,635.00
Federal			\$ 2,401,309.00
Fees			
Other:			\$ 59,840.00
Total	\$ -	\$ -	\$ 3,233,784.00

The program budget for **three** years includes the costs listed below and staff will return with a budget revision for Board approval of the program budget for Fiscal Year 2011-12 after the financial agreement has been approved by the Board and executed.

Item	Budget
Loan Loss Reserve	\$1,000,000
Salaries and Benefits	\$1,118,200
emPowerSBC Program Staff	\$961,400
County Services (Other Departments)	\$156,800
Indirect Costs	\$393,700
Program Operations	\$721,900
Professional Services	\$648,700
(Advertising, Website, Marketing)	
Other Operating Expenses	\$73,200
(Office expenses, DOE Required Travel, etc)	
Total	\$3,233,800

Staffing Impacts:

Legal Positions:

FTEs:

3 FTE

The DOE grant includes a budget for three program staff as outlined in the December 2010 Redesigned Implementation Plan. Currently the department business specialist (community relations specialist) position has not been filled, but is anticipated to be filled after approval of the financing agreement. Staff responsibilities and costs are included below:

- Program Manager: Responsible for implementation and day-to-day operations of emPowerSBC including implementing strategies to ensure the successful start-up and management of public/private partnership with financial lending institution, utility companies, cities, other County departments, trade industries, and community stakeholders; setting program goals and measures an achieving results; overseeing program budget and staff.
- Business Specialist: Responsible for business development, operations planning, grants management, fiscal processing, budgeting, technological process development and data management.
- Business Specialist (“Community Relations Specialist”): Responsible for community-appropriate outreach, education, market research, marketing materials development, event planning, workforce development and training, and customer support.

Attachments:

Attachment A: DOE grant agreement modification

Attachment B: emPowerSBC Program Agreement with CoastHills Federal Credit Union

Attachment C: emPowerSBC Loan Loss Reserve Agreement with CoastHills Federal Credit Union

Attachment D: emPowerSBC Privacy Policy

Attachment E: CEQA Notice of Exemption

Authored by:

Angie Hacker, Housing and Community Development