RESOLUTION OF THE BOARD OF SUPERVISORS
OF THE COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA

RESOLUTION NO. 10-201

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SANTA BARBARA ADDRESSING THE CONCERNS OF THE FEDERAL HOUSING FINANCE AGENCY RELATING TO EMPOWERSBC FINANCING FOR RESIDENTIAL PROPERTIES

WHEREAS, the County of Santa Barbara ("County") is authorized under Chapter 29 of Part 3 of Division 7 of the Streets & Highways Code of the State of California ("Chapter 29") to levy contractual assessments to finance the installation of distributed generation renewable energy sources and energy efficiency and water efficiency improvements that are permanently fixed to residential, commercial, industrial, agricultural, or other real property ("Authorized Improvements"); and

WHEREAS, Chapter 29 authorizes the County to enter into contractual assessments to finance the installation of Authorized Improvements; and

WHEREAS, on April 13, 2010, pursuant to Resolution No. 10-098, the Board of Supervisors established the County's "Elective Municipal Programs to Optimize Water, Energy, and Renewables for Santa Barbara County" (the "emPowerSBC Program") within the boundaries of the County; and

WHEREAS, on July 6, 2010, the Federal Housing Finance Agency issued the Statement attached hereto as Exhibit A (the "Statement"); and

WHEREAS, as a result of the Statement and in order to avoid any adverse impact on residential property owners in the County as a result of the emPowerSBC Program, the Board of Supervisors wishes to declare that, as long as the Statement is in effect, the County will not accept applications for the emPowerSBC Program from residential properties or provide financing through the emPowerSBC Program to residential property owners in the County;

NOW, THEREFORE, BE IT RESOLVED by the Board of Supervisors of the County of Santa Barbara as follows:

1. Recitals. The above recitals are true and correct.

2. Conduct of emPowerSBC Program for Residential Properties. The Board of Supervisors hereby orders that, as long as the Statement is in effect, the County shall not accept applications for the emPowerSBC Program from residential properties in the County or provide financing through the emPowerSBC Program for residential properties in the County.

The Board of Supervisors hereby orders that, except as provided in the previous sentence, the emPowerSBC Program shall remain in full force and effect.

3. Effective Date. This resolution shall take effect immediately upon its adoption.

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PASSED AND ADOPTED at a regular meeting of the Board of Supervisors of the County of Santa Barbara held on this 13th day of July, 2010, by the following vote:

AYES: Supervisors Carbajal, Wolf, Farr, Gray and Centeno

NOES: None

ABSTAIN: None

ABSENT: None

CHAIR, BOARD OF SUPERVISORS

ATTEST:
MICHAEL F. BROWN
CLERK OF THE BOARD

By: ____________________
Deputy

APPROVED AS TO FORM:

DENNIS A. MARSHALL
COUNTY COUNSEL

By: ____________________
Deputy County Counsel

APPROVED AS TO ACCOUNTING FORM:

ROBERT GEIS
AUDITOR-CONTROLLER

By: ____________________

This is a true certified copy of the original document on file or of record in my office. It bears the seal and signature, imprinted in purple ink, of the Clerk of the Board of Supervisors.

Clerk of the Board, Santa Barbara County, California
Date 7/13/10 by Deputy: ____________________

COUNTY OF SANTA BARBARA CALIFORNIA

Exhibit A

Federal Housing Finance Agency Statement

FEDERAL HOUSING FINANCE AGENCY

STATEMENT

For Immediate Release
July 6, 2010

Contact: Corinne Russell (202) 414-6921
Stefanie Mullin (202) 414-6376

FHFA Statement on Certain Energy Retrofit Loan Programs

After careful review and over a year of working with federal and state government agencies, the Federal Housing Finance Agency (FHFA) has determined that certain energy retrofit lending programs present significant safety and soundness concerns that must be addressed by Fannie Mae, Freddie Mac and the Federal Home Loan Banks. Specifically, programs denominated as Property Assessed Clean Energy (PACE) seek to foster lending for retrofits of residential or commercial properties through a county or city's tax assessment regime. Under most of these programs, such loans acquire a priority lien over existing mortgages, though certain states have chosen not to adopt such priority positions for their loans.

First liens established by PACE loans are unlike routine tax assessments and pose unusual and difficult risk management challenges for lenders, servicers and mortgage securities investors. The size and duration of PACE loans exceed typical local tax programs and do not have the traditional community benefits associated with taxing initiatives.

FHFA urged state and local governments to reconsider these programs and continues to call for a pause in such programs so concerns can be addressed. First liens for such loans represent a key alteration of traditional mortgage lending practice. They present significant risk to lenders and secondary market entities, may alter valuations for mortgage-backed securities and are not essential for successful programs to spur energy conservation.

While the first lien position offered in most PACE programs minimizes credit risk for investors funding the programs, it alters traditional lending priorities. Underwriting for PACE programs results in collateral-based lending rather than lending based upon ability-to-pay, the absence of Truth-in-Lending Act and other consumer protections, and uncertainty as to whether the home improvements actually produce meaningful reductions in energy consumption.

Efforts are just underway to develop underwriting and consumer protection standards as well as energy retrofit standards that are critical for homeowners and lenders to understand the risks and rewards of any energy retrofit lending program. However, first liens that disrupt a fragile housing finance market and long-standing lending priorities, the absence of robust underwriting standards to protect homeowners and the lack of energy retrofit standards to assist homeowners, appraisers, inspectors and lenders determine the value of retrofit products combine to raise safety and soundness concerns.