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Santa Barbara County

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emPowerSBC

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Program Report

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April 13, 2010



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# 1. Introduction

Chapter 29 of the California Streets and Highways Code was amended by Assembly Bills (AB) 811 and 474, enabling cities and counties in California to establish voluntary contractual assessment programs to reduce the upfront costs associated with energy efficiency, water conservation, and renewable energy projects that are fixed to real property and 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 energy and water conservation improvements that are permanently affixed to real property. Santa Barbara County aims to use this financing authority to establish emPowerSBC.<sup>1</sup> This program promotes widespread retrofits to residential and commercial property throughout the region, thereby reducing greenhouse gas (GHG) emissions and conserving water, while stimulating economic opportunities throughout the region – all fundamental principles in the Santa Barbara County Climate Change Guiding Principles (Climate Change Guiding Principles).<sup>2</sup> In this report, eligible energy and water improvements are collectively referred to as “Improvements.”

The emPowerSBC program is voluntary and requires the full consent of property owners seeking to finance the installation of eligible Improvements using contractual assessments. As would be the case with other types of land-secured public financing programs, such as sewer assessment districts, property owners will repay emPowerSBC financing through an assessment levied against their property. This assessment is payable in semi-annual installments on property tax bills.

## Goals

As articulated in the County’s Climate Change Guiding Principles, the provision of incentives to promote GHG emission reductions, while also fostering economic vitality and community wellbeing, is a hallmark of a successful climate policy strategy. As a voluntary program, emPowerSBC will help owners of improved real property make principled investments in the long-term health of the local, state, and national economy and the global environment by providing a long-term financing mechanism for Improvements. At the same time, emPowerSBC will enable jurisdictions within Santa Barbara County to make substantial strides towards implementing existing energy savings and climate protection plans. Many of these local plans aim to voluntarily assist the State with the GHG emission reduction targets set through Assembly Bill (AB) 32. As noted in the AB 32 Scoping Plan, poorly performing buildings account for almost 25% of GHG emissions statewide.

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<sup>1</sup> emPowerSBC stands for Elective Municipal Program to Optimize Water, Energy, and Renewables for Santa Barbara County.

<sup>2</sup> Adopted by the Board of Supervisors on March 17, 2009.

## Program Benefits

emPowerSBC is a strategic investment opportunity that can assist the region in achieving significant benefits, primarily in two categories: 1) economic development and 2) quality of life. Economic development benefits of the emPowerSBC program are multifaceted. By enabling property owners to take responsible energy and water conservation actions, the program promotes reduced utility and water bills, translating into direct consumer savings and an increase in discretionary income.<sup>3</sup> The multiplier effect attributable to such savings will impact businesses and households throughout the region, encouraging job growth and bolstering local government revenues. In addition, reports have shown that investment in energy efficiency leads to direct job growth: in fact, up to eleven new jobs are created for every \$1 million invested in energy efficiency improvements.<sup>4</sup> Moreover, the emPowerSBC program provides an innovative form of financing for property owners. Particularly in economic cycles where credit and lending standards are prohibitive, the ability to obtain alternative sources of capital is extremely important. Accordingly, the emPowerSBC program provides a safe, no-money-down means of financing for Improvements, with a fixed-rate and terms that may not readily be available through traditional means, such as home equity loans.

The emPowerSBC program catalyzes broader impacts to the regional quality of life through speeding investments into smarter energy and water practices. For example, emPowerSBC financing complements the myriad of other incentives including utility rebates, federal credits, and state programs aimed at lowering the upfront costs of Improvements. This leveraging of resources will accelerate a reduction in communitywide energy and water use, translating directly into reduced GHG emissions and helping to secure our collective energy and water future. This enables the region to address climate change, while also ensuring that scarce resources remain available for future generations. On a very tangible level, improvements to the building stock enabled through emPowerSBC will increase building comfort and safety, thereby promoting public health, employee productivity, and overall wellbeing. Additionally, the possibility remains that carbon offsets attributable to energy improvements financed by the emPowerSBC program may be available. In this case, such offsets could generate revenue that would be held by the County on behalf of the emPowerSBC program, and used in coordination with participating cities to promote the program's sustainability.

## Program Administration

The County Executive Officer (or his designee) is the emPowerSBC Program Administrator and is authorized to enter into contractual assessments on behalf of the County. Contractual assessments equal to or greater than \$100,000 must be approved by the Board of Supervisors. The Program Administrator will oversee professionals associated with program implementation, including County staff, contractors, and any other organizations assisting in the administration of the Program.

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<sup>3</sup> emPowerSBC does not guarantee savings on utility bills. emPowerSBC highly recommends that a property owner consult with utilities or other trained professionals to ensure that the proposed Improvements satisfy the property owner's energy-saving goals.

<sup>4</sup> White, Sarah. Greener Pathways: Jobs and Workforce Development in the Clean Energy Economy. University of Wisconsin, Center on Wisconsin Strategy, 2008.

Among other duties assigned by the Program Administrator, emPowerSBC staff will be responsible for:

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

The emPowerSBC office will be located initially at the Santa Barbara County administrative offices, with storefronts in both the North County and South Coast where the public can speak with emPowerSBC staff and apply for funding. The County is in the process of developing an, interactive website for the Program, where the public and program participants can obtain information and apply to the emPowerSBC program.

## 2. Program Requirements & Parameters

### Program Report

In order to establish this program, the County must prepare this report, establishing how the program will function (the “Program Report”).<sup>5</sup> This Program Report is the guiding document for the emPowerSBC program and fulfills certain statutory requirements by including:

- A map showing the boundaries of the territory within which contractual assessments are proposed;
- A draft assessment contract (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; and a method for setting priority for applications in the event that requests appear likely to exceed the authorization amount;
- A plan for funding the program; and
- Information on the County’s cost of placing assessments on the tax roll.

### Boundaries of Program Area

The emPowerSBC program is available to all unincorporated communities throughout the region (i.e., Summerland, Montecito, Eastern Goleta Valley, Isla Vista Mission Canyon, Santa Ynez, Los Olivos, Los Alamos, Orcutt, Cuyama, Vandenberg Village, etc.). The County is expected to enter into implementing agreements with each incorporated city. To date, all eight incorporated cities within Santa Barbara County have taken the appropriate legislative actions to participate in the County’s program. A map showing the County boundaries is provided as Appendix C.

### Eligible Property Owners and Eligible Properties

Property owners may be individuals, associations, business entities, cooperatives, and others. Certain eligibility or underwriting criteria must be satisfied, and financing may be approved if the following criteria are met:

- Property is located within the County of Santa Barbara.
- Property title is vested in the applicant/property owner without federal or state income tax liens, judgment liens or similar involuntary liens on the property, and the title is clear of easements or other agreements that conflict with the assessment.

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<sup>5</sup> See California Streets and Highways Code Section 5898.22.



- Property owner is current on property taxes, and there are no notices of default or other evidence of property-based debt delinquency for the lesser of the past three years or the property owner’s period of ownership.
- Mortgage and other debt on the property, when added to the proposed contractual assessment and overlapping special tax and assessment obligations, is not greater than the current value of the property.
- Property owner is not in bankruptcy and has not been in bankruptcy for the past five years, and the property is not an asset in a bankruptcy proceeding.
- Property owner is and has been current on all mortgage(s). For commercial property,<sup>6</sup> lender has given consent to emPowerSBC financing. For residential property, property owner has given notice to lenders on the property and has either received lender consent or the lender has not objected.
- Proposed Contractual Assessment shall not exceed 10 percent of property’s value. The Program Administrator may 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.
- Condominium owners must conform to HOA policies.<sup>7</sup>

emPowerSBC staff reserve the ability to use other criteria, as warranted on a case-by-case basis, to ensure effective consumer and lender protection. This could include “savings to investment ratios” and quality assurance procedures such as surveys or site visits. emPowerSBC financing is currently available for properties that are subject to secured property taxes, as well as property owned by nonprofit organizations.<sup>8</sup> The program may become available to other properties at a later date, and in compliance with related State laws.

Property owners may make more than one application for funding under the Program if additional Improvements are desired by the owner, so long as eligibility criteria discussed in this report are met.

## Eligible Equipment

The emPowerSBC program enables property owners in Santa Barbara County to finance a wide range of energy-savings and water conservation measures, consistent with the following provisions:

- emPowerSBC 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 increases water conservation. However, emPowerSBC

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6 For emPowerSBC, “residential property” is defined as residential properties with 1-to-4 residential units; “commercial property” is all other property.

7 HOA residents should be aware that AB 1061, passed by the California Legislature in October 2009, allows HOA residents to comply with local ordinances affecting landscape-related water conservation.

8 Governmental entities and mobile homes are typically not subject to property taxes.

financing is also available for purchasers of new homes and businesses that wish to add Improvements after taking title to the property.

- emPowerSBC provides financing only for Improvements that are permanently affixed to real property.<sup>9</sup>
- emPowerSBC provides financing for Improvements specified in Appendix A (this Appendix is subject to change from time to time by the Program Administrator). Broadly, these include three tracks:
  - Energy Efficiency and Renewable Energy Improvements
  - Water Conservation Improvements;
  - Custom Measures.<sup>10</sup>

Energy projects must follow the loading order and cost-effectiveness criteria outlined by the State and federal governments for Property Assessed Clean Energy (PACE) programs. Generally, this means that cost-effective energy efficiency improvements must be made prior to the installation of renewable energy sources (i.e., solar photovoltaic). Notably, efforts are underway by the US Department of Energy (DOE), the California Energy Commission (CEC), California Public Utilities Commission (CPUC) and others to provide guidance on implementing loading order requirements through programs like emPowerSBC. Such efforts will help customers ensure the cost-effectiveness of investments, while prioritizing available funding to maximize the reduction of energy use and GHG emissions (see Sections 3 and 4 for more information on energy savings and loading order).

emPowerSBC financing is also available for projects that combine eligible improvements, or bundle energy efficiency, water conservation, and renewable energy improvements. For instance, a property owner may choose to install weather stripping, replace an aging and inefficient furnace, install low flow toilets, and install a solar photovoltaic system. Program participants will be required to obtain and submit necessary building permits and inspections prior to receiving financing.

Contractors participating in the program will be required to have proper bonding and appropriate licensing through the California State Licensing Board.

## Eligible Project Costs and Program Fees

Project Costs. Eligible costs of the Improvements include the cost of equipment, materials, supplies, and installation. Installation costs may include, but are not limited to, energy and water survey consultations, labor, design, drafting, engineering, permit fees,<sup>11</sup> and inspection charges. The value

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<sup>9</sup> Pursuant to California Streets and Highways Code Section 5898.20(a)(2).

<sup>10</sup> Large scale commercial or industrial projects requiring engineering design and meeting the financing threshold (\$100,000) 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.

<sup>11</sup> All Improvements, including those normally exempt from permit requirements, will require documentation 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.

of expected rebates,<sup>12</sup> but not the value of tax credits (unless requested by the property owner), will be deducted from emPowerSBC financing. The installation of Improvements can be completed by a licensed contractor of the property owner's choice, so long as the contractor is in good standing with applicable State regulating authorities. 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 emPowerSBC financing for that portion of the cost of retrofitting existing structures with Improvements. Repairs and/or new construction do not qualify for emPowerSBC financing except to the extent that the construction is required for the specific approved Improvement. Repairs to existing infrastructure, such as water and sewer laterals, are considered repairs, and are not eligible.

Program Fees. The intention of the program is to minimize the upfront costs associated with the application process to the extent feasible, while also supporting programmatic sustainability. Accordingly, the following program fees will be the responsibility of the property owner. The annual assessment fee will be included in the contractual assessment installments. All other fees, with the exception of the Application fee, may be added into the amount to be financed by the property owner or paid at the time they are incurred:

- Application fee: a fee of \$125 will be required to submit an application for emPowerSBC financing. This fee is non-refundable, except as required by law.
- Title costs, including title insurance, where required. Regular title costs are estimated at \$75 for projects under \$5,000, and \$215 for projects \$5,000 and over, but less than \$100,000. Projects equal to or greater than \$100,000 will require a title search and insurance.
- Recording fees, set by Recorder's Office and updated from time to time, currently estimated at \$90 for the two documents that will be recorded: 1) Notice of Assessment and 2) Payment of Contractual Assessment Required.
- Assessment collection and processing costs will be added to the annual contractual assessment installment. These costs are \$40 for fiscal year 2009-2010, and will be adjusted in subsequent years 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 Southern California counties. This cost was determined after consultation with the County Auditor-Controller.
- Debt Reserve Fund Deposit: A deposit to a debt service reserve fund may be required equal to approximately 10% of the principal amount of the contractual assessment to pay for debt service in the case of delinquent contractual assessments. The principal amount financed is inclusive of project costs, capitalized interest, and financed fees, if any. The deposits in the Debt Reserve Fund may be used to pay for the final contractual assessment installments for a property, subject to limitations imposed by the emPowerSBC program.
- Escrow fees. Some large or "custom-track" projects, determined on a case-by-case basis, 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

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<sup>12</sup>"Expected rebates" do not include: 1) rebates that are contingent on performance or 2) rebates 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.

Contract is signed, the amount requested 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. 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 must be returned to the program, and will be deducted from the amount of the contractual assessment lien.

## **Administrative Costs**

The Program may elect to cover all or a portion of its administrative costs through the “spread” between its interim funding source interest rate and the emPowerSBC financing interest rate offered to the property owner. Similarly, it may elect to recover emPowerSBC costs through a spread between bond rates and assessment rates, or the spread between interest rates of any financial vehicle and the assessment rate.

If an appropriate spread is not available, administrative costs may be covered through the use of fees, such as a fee in the amount of 1 percent of the total approved assessment amount, which will be charged when funds are disbursed. This will offset program administrative costs, including the cost of issuing debt. In addition, as explained previously, certain assessment collection and processing costs will be added to the annual contractual assessment installment.

## **Maximum and Minimum Energy Financing Amount; Priority**

The maximum contractual assessment for residential properties is generally \$75,000 per property. Contractual assessments greater than \$40,000 must be approved by the Program Administrator and may require additional documentation. Contractual assessments equal to or greater than \$100,000 must be approved by the Board of Supervisors. The minimum size for a contractual assessment is \$2,500. emPowerSBC financing will be disbursed directly to the property owner or the property owner’s authorized agent after Improvements are completed and final documentation is submitted to emPowerSBC staff.

All applications for financing will receive a time stamp, and will be considered on a first-come, first-served basis. If a request from a property owner for financing would cause the program to exceed the authorized amount (see “Maximum Portfolio” below), then the last property application submitted that caused the authorization amount to be exceeded will be ineligible for financing.

## **Duration of Assessment**

emPowerSBC Assessment Contracts are available for up to 20-year terms to accommodate a wide range of energy efficiency, water conservation, and renewable energy investments. The duration of assessments will be tied to the useful life of financed Improvements. For example, some Improvements may only have a useful life of 10 years, after which replacements would be required. In these cases, 10-year assessment durations would be necessary.

## Maximum Size & Diversity

The County intends to identify sustainable sources of funding, so that the emPowerSBC program is able to accommodate available demand. The maximum aggregate dollar amount of the principal component of contractual assessments to be levied under the emPowerSBC program is \$160 million; however, this maximum is subject to increase by the Board of Supervisors if sufficient demand exists.<sup>13</sup>

To facilitate diversity in the emPowerSBC portfolio, 50 percent of the program’s financing capacity will be reserved for residential property owners, and 50 percent for all other property owners. The Program Administrator, in consultation with the Auditor-Controller, may adjust that allocation. The Program Administrator, in coordination with the Auditor-Controller, will periodically report on Program progress to the Board of Supervisors, providing the Board of Supervisors with the information necessary to further adjust this allocation to match Program participation, with recommendation from the Program Administrator.

## Assessment Interest Rate

The Board of Supervisors will provide oversight, such that the interest rate offered to emPowerSBC customers is responsive to market conditions and supports program sustainability, while being competitively priced compared to options available through banking or other financial institutions. The Program Administrator will set the interest rate for a contractual assessment at the time the County and a property owner enter into an emPowerSBC Assessment Contract. The interest rate will be fixed at that point and will not go up, although the County may reduce the rate for all Program participants if it is able to negotiate long term financing on sufficiently favorable terms to allow it to do so while still funding the program costs. Potential changes to the interest rate that will be offered by the emPowerSBC program will be periodically proposed by the Program Administrator to the Debt Advisory Committee, which will make a recommendation to the Board of Supervisors.

As discussed in Section 2 “Program Requirements and Parameters,” if available, the spread between the interim financing source interest rate and the interest rate charged to property owners participating in the program may be used to cover the administrative costs of delivering the program to the public, as well as capitalized interest and a reserve fund. If this “spread” is not sufficient to cover these costs, points or fees may be charged, either as an initial fee that may be included in the principal amount of the contractual assessment or as part of the annual contractual assessment installment. The fee to process and collect assessment installments will be charged regardless of the availability of a spread.

## Property Assessment Lien

All property owners must sign and notarize the emPowerSBC Assessment Contract. Execution of the Assessment Contract will create a lien on the property that secures the contractual assessment in

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<sup>13</sup> Pursuant to Streets and Highways Code Section 5898.22, an upper maximum must be established for the total volume of contractual assessments. This upper maximum reflects likely demand for the program, which is forecasted to reach \$160 million in contractual assessments through 2020, and is subject to change by the Board.

the full amount necessary to finance the installation of Improvements and pay the property's share of the costs of administering the program. If funds are disbursed to property owners before the first business day in July, the first year's contractual assessment installments will appear on the next tax bill. For disbursements made after the first business day of July, the first year's contractual assessment installments will not appear on the tax bill until the following tax year. In the latter case, contractual assessments will also finance the first year's installments if this deadline is not met.

## **Delinquent Assessment Collections**

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Delinquent assessments will be collected using the laws and powers authorized under State statutes for collecting property taxes and assessments. Where bonds have been sold to finance assessments, State law also allows delinquent assessment installments to be collected through judicial foreclosure proceedings to protect bondholders. With this authority, the County may initiate judicial foreclosure on an accelerated basis as a result of negotiations with lenders.

In addition, the County will consider including the program in the Teeter Plan to collect and allocate delinquent assessment installments, in accordance with State statutes.

## 3. Tracks for Participation

There are three categories of technologies under which property owners may participate in the program. Eligible Improvements must meet specified minimum efficiency standards. A complete list of approved Improvements is set out in Appendix A.

### Energy Improvements and Loading Order

This track covers a wide range of energy efficiency fixtures from windows and doors, to attic insulation and HVAC equipment. As illustrated in State and federal guidelines for PACE programs, emPowerSBC projects are to follow a “loading order” to capitalize on low risk, high return efficiency and conservation opportunities that are readily available to property owners. Such measures will help facilitate achievement of State targets, including a reduction in building energy use through energy efficiency measures, prior to the installation of renewable energy generation (i.e., solar photovoltaic).<sup>14</sup>

This “loading order” strategically prioritizes improvements to encourage the optimal performance of a building as an integrated system, rather than a collection of individual parts. Accordingly, improvements to a building’s “shell” or the building envelope are encouraged first, to provide increased comfort and air quality, and achieve emission reductions. With a sound building envelope in place, installation of appropriately sized space conditioning equipment and water heating systems are encouraged, followed by efficient lighting and appliances, demand response measures, and finally renewable energy generation improvements.<sup>15</sup>

Consistent with the State and federal loading order guidelines, the installation of solar electric (photovoltaic) and other renewable energy sources is to occur after necessary energy efficiency improvements have been made to a building, with a goal of demonstrating a 10 percent reduction in energy use. The intent is to ensure that renewable energy systems are well integrated with energy efficiency, and that consumers pursue the most cost-effective approaches for reducing overall energy use. In all cases, emPowerSBC will remain consistent with State and federal loading order requirements.

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<sup>14</sup> The State Energy Program Guidelines, adopted by the CEC on October 1, 2009, provide a comprehensive framework for Municipal Energy Financing or PACE Programs. Consistency with this framework will help ensure the County’s competitiveness for future grants and funding opportunities. Through this framework the Comprehensive Residential Building Retrofit Program categorizes improvements as “prescriptive” measures or “whole house, performance based” measures. Prescriptive measures require installation by a specialty licensed contractor (e.g., HVAC or Insulation Contractor) using field verification protocols specified by the Standards Reference Appendices. Whole house or performance-based measures require a comprehensive retrofit approach to deliver the highest degree of energy savings per home. This approach relies on either: 1) a HERS II Rater working in conjunction with a specialty contractor to achieve retrofits or 2) a HERS II Rater that is trained as a building performance contractor and is able to carry out a rating and supervise installation and retrofits.

<sup>15</sup> Adapted from the CPUC Whole House Retrofit Program Draft Guidelines, January 2010.



## Water Conservation

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The Water Conservation Track covers a wide range of water conserving fixtures, including low flow toilets, low flow shower heads, and irrigation controllers.

## Custom

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The development of technologies is encouraged by emPowerSBC as a means of diversifying the County's energy sources. The Custom Measure Track will evaluate and provide funding, if appropriate, for these innovative projects.

Applicants for the Custom Measure Track should consult with emPowerSBC Staff to determine eligibility and will be required in most cases to submit engineering plans and specifications. The Program Administrator, or designated staff, will approve the Custom Measure 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 would be discussed with the Applicant before the project is reviewed.



## 4. Surveys, Site Checks, and Documentation of Energy Savings

By participating in the emPowerSBC program, the property owner is investing in the community's future by helping to reduce energy usage and associated GHG emissions, while also conserving water resources. In addition, the property owner is making a financial investment, and careful consideration of eligible equipment is important for ensuring that the most cost-effective package or bundle of Improvements is installed. Complete and objective information – from project conceptualization to post-installation quality assurance – helps to ensure that emPowerSBC resources maximize energy savings, water conservation, and GHG emission reductions for the dollars invested, while also helping to uphold consumers' interests. Notably, three programs exist which all provide energy rating services to assist property owners in their decision-making processes. These include: 1) the Building Performance Institute (BPI), 2) the federal Environmental Protection Agency's Home Performance with Energy Star (HPwES), or 3) the California Energy Commission's Home Energy Rating System (HERS). The emPowerSBC program will seek to maintain consistency with federal and State guidelines regarding quality assurance to protect all parties involved in emPowerSBC transactions.

It is expected that the County's existing Innovative Building Review Program (IBRP) will be leveraged to assist with surveys, site checks, and documentation of energy savings.

### Residential Properties

Through consistency with State and federal loading order guidelines, applicants are encouraged to achieve a 10 percent reduction in energy use through energy efficiency retrofits, prior to qualifying for the installation of renewable energy sources. Energy and/or water conservation surveys provide an important means of demonstrating that this goal can be met. Online energy surveys can be conducted through PG&E's website [<http://www.pge.com/myhome>] and SCE's website [<http://www.sce.com/>] to calculate the estimated amount of energy savings. In addition, property owners can also check with their local water providers to see if water conservation surveys are available.

Residential property owners are strongly encouraged to obtain onsite energy and/or water surveys, also known as “check-ups” or “audits,” to determine the optimal Improvements for their properties. In some cases, these surveys are provided for free by local agencies.<sup>16</sup> Generally, the qualified energy or water conservation professional will make an on-site inspection of the property and evaluate the condition of the building and recommend a list of Improvements that will provide the greatest benefit for the money invested. These surveys also provide valuable data on energy and water usage, potential savings and GHG emissions reductions, all of which are goals of emPowerSBC. Costs incurred to conduct onsite surveys may be financed through emPowerSBC. As the emPowerSBC program matures, strategies will be implemented to increase the availability of and

<sup>16</sup> The City of Lompoc's Electricity and Water utility provides free energy and water surveys. In addition, the City of Santa Barbara's water agency provides free water surveys, which will be a required component of program participation in this city.

access to onsite BPI, HPwES, and HERS energy surveys, particularly for residential properties. In cases where measures have not been recommended through an energy or water survey, the property owner may choose from the “prescriptive” list in Appendix A. This list is consistent with the CEC and CPUC’s draft loading order, which is to be finalized during spring/summer 2010.

Notably, in 2010, the “Home Energy Rating System (HERS) II” program is expected to become active, establishing requirements and protocols for conducting whole-house surveys, ratings, and retrofits. In fact, this is the level of activity that is required to meet the State’s GHG emission reduction targets established by AB 32.<sup>17</sup> To help ensure that the Central Coast transitions to this new standard with an adequate and prepared workforce, the Program Administrator and emPowerSBC staff is working closely with training organizations, utilities, and educational institutions to support local economic development.

## Commercial Properties

An onsite, walk-through energy audit is required for commercial properties. Often, these walk through audits may be performed free of charge by local utility companies (PG&E or SCE), and help property owners determine the most cost-effective and efficient route to maximize investment and energy savings. Commercial property owners can obtain a HERS audit finance the cost through emPowerSBC. Property owners can also check with their local water provider to see if free water conservation surveys are available.

## Documentation of Energy and Water Savings

Documentation of energy and water savings is an important component of demonstrating program performance and outcomes, as well consistency with loading order goals. Where possible, program participants must submit documentation, such as utility and/or water bills, for the year prior to installing Improvements financed through the emPowerSBC program and two years following the installation of Improvements, to demonstrate increased building performance. Often, utility companies will provide customers with reports on prior years’ energy use, upon request. If utility bills are not available, the applicant is still required to work with emPowerSBC staff to provide appropriate documentation to measure energy savings. In addition, program participants will be asked to participate in surveys or similar measures to document emPowerSBC program performance. Property owners are encouraged to note special cases where household or business behaviors have changed energy consumption and impact the use of utility bill data, helping to determine the effectiveness of Improvements financed through the emPowerSBC program.

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<sup>17</sup> California Energy Commission, State Energy Program Guidelines

## 5. The Financial Strategy

The County Auditor-Controller has established the emPowerSBC Enterprise Fund (the “emPower SBC Fund”) and may accept funds from any available source and may disburse the funds to eligible property owners for the purpose of funding energy and water conservation improvements. Repayments will be made pursuant to Assessment Contracts between the property owners and the County. Contractual assessment installments will be collected through the property assessment mechanism in the Santa Barbara County property tax system. Repayments may be included in the Santa Barbara County Teeter Program. The County Executive Officer has the authority to recommend an emPowerSBC budget, to be ratified by the Board of Supervisors.

The County will manage the emPowerSBC program in one enterprise fund with multiple program accounts (financing, operations and marketing, debt administration) to help ensure that program costs do not exceed the County’s receivables. Debt service reserve funds will be established as appropriate using grant resources, financing proceeds, or other sources to support the financing process. The Auditor-Controller has the authority to develop the necessary accounting structure to run the emPowerSBC program. While multiple options exist to provide short-term and long-term financing, and the County intends to consider all viable options, a specific example of a possible financing arrangement is described below.

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 County will issue advance receivables from the General Fund. When total advances reach \$3 - \$5 million, the program will sell an assessment bond or enter into another financing relationship (Obligation) with a third party. The proceeds from sale of the Obligation will be used to reimburse the General Fund, which could then make another advance to the emPowerSBC program, refreshing the financing process.

Each year, the County may use contractual assessment revenues in excess of the amounts needed to repay any debt issuance, fees, or other sources to fund a debt service reserve account and to augment a program expenditure account. Moneys in the debt service reserve account will provide additional security for the repayment of the Obligation. Moneys in the program expense fund may be used to pay or reimburse the County for expenses to administer the emPowerSBC program. The County may use surplus funds, which remain after the payment of the Obligation at maturity or upon early redemption for any lawful purpose for the Program.

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; the use of Qualified Energy Conservation Bonds and Recovery Zone Facility Bonds; the issuance of notes, bonds, or agreements with utilities or public or private lenders, other governmental entities and quasi-governmental entities such as CALPERS, Great West Retirement Solutions; or, any financing structure allowed by law.

## 6. Consumer Protection

The emPowerSBC program is subject to certain State and federal laws designed to protect consumers. Among other things, these laws require the County to disclose information to property owners and, only during the three-day period following execution of the Assessment Contract, guarantee a property owner the right to rescind the Assessment Contract without penalty (including the return of the application fee). The County will comply with all applicable State and federal laws in connection with the emPowerSBC program.

## 7. Changes to Report

The Program Administrator may make changes to this Report that the Program Administrator reasonably determines are necessary to clarify its provisions or effectuate the purposes of the program. Any changes to this Report that materially modify the emPowerSBC Program will only be made after approval by the Auditor-Controller and Board of Supervisors. Any changes will not affect the amounts payable under existing Assessment Contracts between a property owner and the County.

# Appendix A – Eligible Improvements

The emPowerSBC program offers funds for a variety of energy efficiency measures, water conservation measures, solar systems, and distributed generation renewable energy systems. In each case, if a rebate is available to the property owner to be applied to the purchase price, that amount must be deducted from the amount of financing requested.

All energy improvements must comply with or exceed the mandatory measures in the existing Title 24 (T-24) energy standards. In all cases, the emPowerSBC program allows applicants to propose custom measures that may not be included in these guidelines, but are consistent with the intent of the State and federal PACE guidelines and the goals of the emPowerSBC program.

## Energy Efficiency and Solar Improvements

### A. Prescriptive Retrofits

These are improvements or measures that are installed by “single-trade” or “specialty” contractors who are licensed to install specific improvements. These may include HVAC contractors who replace furnaces, air conditioners or water heaters nearing the end of their useful lives with high efficiency equipment; electrical contractors who install lighting fixtures with high efficiency fixtures that use CFL or LED lamps; and insulation contractors who install attic and wall insulation. Measures for which the Title 24 (T-24) Building Energy Efficiency Standards have established field verification protocols have to be field-verified in conformance with those protocols and follow all field verification procedures established by those Standards (HERS Phase I).

In addition, the emPowerSBC program provides funding for a wide range of Energy Star-rated efficiency measures, including many energy efficiency measures for which property owners can get rebates as well as emPowerSBC funding. Energy efficiency measures must meet the performance criteria stated in the list of Eligible Improvements (below) or the Energy Star minimum efficiency levels. The County of Santa Barbara anticipates that Energy Star requirements will “ratchet up” to greater efficiency levels and will become more inclusive of technologies over time. Thus, the emPowerSBC program will evolve with Energy Star and the market for energy-efficient technologies. To date, the measures below are eligible.

#### A1. Energy Efficiency

- 1) Air Sealing and Ventilation
  - Air Filtration; Energy Star qualified
  - Building Envelope; Comply with T-24 field verification
  - Duck Leakage and Sealing
  - Bathroom, ceiling, attic, and whole house fans
- 2) Insulation, T-24 Compliant
  - Defect Correction
  - Attic, floor, walls, roof, ducts

- 3) Weather-Stripping, Following Energy Star guidelines
- 4) Home Sealing, Following Energy Star guidelines
- 5) Geothermal Exchange Heat Pumps
  - Minimum efficiencies
    - Ground source exchange open loop system 17.8 EER or higher
    - Ground source exchange closed loop system 15.5 EER or higher
- 6) HVAC Systems
  - Minimum efficiencies
    - Split systems with 14 SEER and 12 EER or higher rating
    - Natural gas furnaces of 90 AFUE or higher
    - Package systems with 14 SEER and 11 EER or higher rating
  - Home energy management control systems
- 7) Evaporative Coolers
  - Cooler must have a separate ducting system from air conditioning and heating ducting system
  - Maximum 5 gallons/ton-hour cooling
- 8) Natural gas storage water heater, EF of 0.67 or higher and Energy Star listed
- 9) Tankless water heater, EF of 0.82 or higher and Energy Star listed
- 10) Solar water heater systems, rated by Solar Rating Certification Council
- 11) Reflective insulation or radiant barriers, T-24 compliant
- 12) Cool roof, T-24 compliant
- 13) Windows and glass doors, U value of 0.40 or less and solar heat gain coefficient of 0.40 or less, T-24 compliant
- 14) Window film, in compliance with the NFRC glazing attachment ratings for solar heat gain and visible transmittance
- 15) Skylights, U Value of 0.60 or less and solar heat gain coefficient of 0.40 or less
- 16) Solar tubes
- 17) Additional building openings to provide additional natural light, windows and doors must meet the Energy Star rating U value of 0.40 or less
- 18) Lighting, Energy Star listed (no bulb, only retrofits)
- 19) Pool equipment; Pool circulating pumps (must be variable flow and/or multi-speed with controllers)

## **A2. Other Non-residential Building Measures**

Per State guidelines, the following measures are examples of best practice technologies that have successfully demonstrated substantial energy savings and are broadly applicable for both public and commercial and non-residential buildings. Accordingly, the following measures are allowed for commercial and non-residential buildings, *in addition* to all applicable energy efficiency measures listed above:

- 1) Occupancy-Sensor Lighting Fixtures
  - SMART Parking Lot Bi-Level Fixture
  - SMART Parking Garage Bi-Level Fixtures
  - SMART Pathway Lighting
  - SMART Wall Pack Fixtures
- 2) Task Ambient Office Lighting
- 3) Classroom Lighting
- 4) Refrigerator Case LED Lighting with Occupancy Sensors
- 5) Lighting Controls
  - Wireless
  - Simplified Daylighting
- 6) Kitchen Exhaust Variable Air Volume Controls
- 7) HVAC Controls & Fault Detection
  - Wireless - constant volume to variable air volume system conversion
  - Fault Detection for Packaged Units and Air Handlers

### **A3. Solar Equipment**

emPowerSBC 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). As with efficiency measures, if a rebate is available to the property owner, that amount must be deducted from the amount of financing requested. Eligible solar equipment for both residential and commercial properties includes:

- 1) Solar thermal systems (hot water)
- 2) Solar thermal systems for pool heating
- 3) Photovoltaic systems (electricity)
  - Battery back-up systems will be allowed
  - Funding for off-grid systems will be allowed
  - PV systems can be sized to accommodate plug-in electric vehicles
- 4) Emerging technologies – following the Custom Measures Track
  - Nano/thin film photovoltaic
  - High intensity (parabolic solar panels)

### **B. Performance-based or Whole-House Retrofits<sup>18</sup>**

Per the State’s guidelines, this is the level of residential retrofit that will ultimately be necessary in all California homes, if State energy efficiency and climate change goals are going to be met. The “whole-house” retrofit concept treats the house as a system, and uses diagnostic tools to ensure

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<sup>18</sup> Ibid.



high quality, well integrated measures that deliver energy efficiency, improve comfort and air quality, and provide safer and quieter home environments. Accordingly, the whole house retrofit process involves the following measures:

- 1) A California Energy Audit/California HERS Rating
- 2) An integrated approach that addresses all of the home's energy using features, resulting not only in energy savings but also often more valued comfort, indoor air quality, combustion safety, noise attenuation benefits which increase program participation
- 3) Coordination with approaches used for EPA/DOE Home Performance with Energy Star program; deep retrofits are required to meet Energy Action Plan goals for existing residential buildings (40% savings in every home by 2020)
- 4) Correction of thermal barrier defects – these defects allow cold and hot air from the attic, crawlspace or outside to leak into the interior walls and under insulation substantially reducing the effectiveness of insulation (assisted with blowerdoor and IR camera)
- 5) Correction of Duct Leakage (assisted with ductblaster)
- 6) Correction of Insulation Defects (assisted with blowerdoor and IR camera)
- 7) Correction of Combustion Safety Hazards
- 8) Correction of Air Conditioner and Furnace Installation Defects (assisted with refrigerant charge gauges and airflow devices)
- 9) Installation of all “specialty contractor” measures determined cost-effective and applicable for the house

## Water Conservation Measures

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Water conservation measures can be deployed through this Program, given a broad applicability to specific building markets. For example, the measures described below are likely to meet this requirement.

### A. Residential Indoor Water Conservation Measures

- 1) High efficiency plumbing fixtures such as toilets (average flush volume of 1.28 gallons or less), Showerheads (1.75 gpm or less), and Bathroom aerators (1.5 gpm or less).
- 2) Any other fixtures or devices, if fixed to the property, which are rated as water efficient by the U.S. Environmental Protection Agency's *WaterSense Program* at <http://www.epa.gov/watersense/>
- 3) Hot water delivery options, as defined by the Energy Star “Volumetric Hot Water Savings Guidelines”
  - Hot water recirculation systems use a hot water circulating pump to pump hot water from the water heater, through the hot water piping, and on back to the water heater through an additional length of pipe that runs from the furthest fixture back to the water heater

- Demand initiated hot water systems use a recirculation pump to rapidly pull hot water from a water heater while simultaneously sending cooled-off water from the hot water lines back to the water heater to be reheated.
  - Whole house manifold systems consist of a manifold (trunk line) connected to the water heater from which individual pipes (twigs) are connected to each water fixture.
  - Core plumbing systems are hot water distribution systems where water volumes in the pipes are reduced by a combination of smaller pipe diameters and shorter pipe runs due to a centrally located water heater.
- 4) Demand initiated water softeners, Energy Star rated
  - 5) Demand initiated or instantaneous hot water heaters
  - 6) Hot water pipe insulation (minimum of R4)

## **B. Residential and Commercial Outdoor Water Conservation Measures**

- 1) Any landscape-related equipment, products or devices, if fixed to the property, which are rated as water efficient by the U.S. Environmental Protection Agency’s *WaterSense Program* at <http://www.epa.gov/watersense/>.
- 2) Permanently installed rainwater cisterns and related ductwork if collecting water from roofs or other surfaces.
- 3) Water efficient landscape irrigation systems including smart irrigation controller, rain sensors, drip irrigation, sub-surface irrigation, soil moisture sensors, rotating sprinkler nozzles, and general irrigation system efficiency upgrades that will reduce water use.
- 4) Gray water systems for landscape irrigation, in conformance with State codes and local ordinances.
- 5) Permeable pavers or other permeable surfaces, especially if replacing currently irrigated turf.

## **C. Commercial Water Conservation Measures**

- 1) All applicable water conservation measures listed for “residential”
- 2) Pre-rinse spray valves (1.2gpm) primarily for food service establishments.
- 3) Urinals (pint) or Waterless urinals
- 4) Bathroom aerators (1.0 gpm or less)

## **Custom Measures**

The Custom Measures Track is a process by which emPowerSBC staff can evaluate and fund projects that are not “off the shelf” improvements listed in the eligible Efficiency, Solar, or Water Conservation Measures. 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 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. The Custom Measure Track will evaluate and provide funding, if appropriate, for these innovative projects.

Applicants for the Custom Measure Track should consult with emPowerSBC Staff to determine eligibility and will be required in most cases to submit engineering plans and specifications. An emPowerSBC Custom Measure's Track review/technical panel will meet to review the engineering documents and data for custom and emerging technology projects. The emPowerSBC program may require an additional administrative fee for project evaluation by the technical review. In all cases, the County reserves the right to decline funding of a custom measure.

The following types of measures – among others – will be considered for emPowerSBC funding through the Custom Measure Track:

#### **A. Energy Efficiency – Custom Measures**

- 1) Building energy management controls
- 2) HVAC duct zoning control systems
- 3) Irrigation pumps and controls
- 4) Lighting controls
- 5) Industrial and process equipment motors and controls

As these “Custom Measures” become Energy Star rated they will be included in the List of Eligible Improvements.

#### **B. Commercial Water – Custom Measures**

- 1) Industrial process water use reduction
- 2) Recycled water and/or graywater source
- 3) Deionization
- 4) Filter upgrades
- 5) Cooling condensate reuse
- 6) Recycling of laundry water
- 7) Foundation drain water
- 8) Cooling tower conductivity controllers

#### **C. Energy Generation – Custom Measures**

- 1) Fuel Cells
- 2) Wind turbine power system
- 3) Natural gas
- 4) Hydrogen fuel
- 5) Other fuel sources (emerging technologies)
- 6) Co-generation (heat and energy)

# Appendix B – Summary of Financing Process

The emPowerSBC program provides financing for the installation of energy efficiency improvements, water efficiency improvements and distributed generation renewable energy sources that are permanently fixed to real property (“Improvements”) in Santa Barbara County. Property owners will repay emPowerSBC Financing through an assessment levied against their property which is payable in semi-annual installments on property tax bills.

## I. Project Scoping

The first step in the process is project scoping. For residential properties,<sup>19</sup> energy and water surveys are highly recommended (see Section 4). Costs incurred to conduct onsite audits or surveys may be financed through emPowerSBC. 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 or determines the cost of the equipment if self-installing.

## II. Application Process

The application process can be done on-line or via a paper application. It is a two-step process to 1) reserve funding and then, after installation, 2) request the release of funds. All approved or denied applications will receive a confirmation email with the name and contact information of a program processor indicating the status of the application. Any questions, concerns or disputes will be handled by the assigned program processor.

**A. Initial Application.** All property owners interested in applying to the Program must submit an on-line or paper application along with the other items described below.

### B. Application Contents

- 1) Application (paper or on-line).
- 2) The most recent mortgage statement.
- 3) Lender notification for residential (along with proof of mailing); lender consent provided for commercial. For residential properties, the lender notice must be sent at least 30 days prior to funding request, and the property owner must either provide the written consent of the lender or, if no such consent has been received, certify that it has not received a protest from the lender. Property owners are responsible for reviewing their mortgage contract and other property-related documents to determine if consent is required to participate in the emPowerSBC program.
- 4) Improvements documentation (prescriptive or performance-based).
- 5) A bid from a licensed contractor for the proposed improvements to be financed.

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<sup>19</sup> For emPowerSBC, “residential property” is defined as single-family properties with 1-to-4 residential units; “commercial property” is all other property.

- C. Application Fee.** The property owner must pay an application fee in the amount of \$125 when the application is submitted. If the application is approved but the property owner does not meet the funding requirements or decides not to utilize the Program funding, the fee will not be refunded, except as required by law (See Section 6, Consumer Protection).
- D. Application Review.** During the Application Review process, emPowerSBC staff verifies that:
- 1) The Application is complete and accurate;
  - 2) The property and property owner comply with all applicable eligibility and underwriting criteria, as illustrated in Section 2 of this Program Report;
  - 3) The property owner has executed the Application;
  - 4) The proposed Improvements and costs are eligible to be financed under the Program. If the proposed Improvements are part of a project that includes new construction (e.g., a room addition), the costs of the work have been properly allocated between emPowerSBC Improvements and new construction;
  - 5) All required documents have been submitted (including for commercial properties, onsite walkthrough energy audit report); and,
  - 6) The requested assessment amount (including contingency) is at least \$2,500.
  - 7) Within 15 business days of receipt of an application, emPowerSBC staff notifies the property owner if the application is incomplete, approved, denied or requires additional approval.
  - 8) Incomplete. An application shall be deemed incomplete if it is missing any information or attachments the property owner is required to provide. Incomplete applications may be resubmitted. emPowerSBC staff will process resubmitted applications on a first-come, first-served basis based upon the new receipt date.
  - 9) Approved. An application shall be approved if emPowerSBC staff has verified all of the items in steps (1) through (6). Applicants will be provided a Notice to Proceed.
  - 10) Denied. An application shall be deemed denied if emPowerSBC staff cannot verify any of the items in steps (1) through (6). emPowerSBC will send a written denial notice. Property owners are free to submit a new application, which will be processed on a first-come, first-served basis based upon the new receipt date.
    - a. If an application is denied on the sole basis that emPowerSBC funding is not available, the application does not need to be resubmitted; applicants will be placed on a waiting list based on the date of application receipt.
    - b. If an application is denied, the applicant may appeal the decision to the Program Administrator.
  - 11) Requires Additional Approval. Applications for emPowerSBC financing between \$40,000 and \$99,999 (including contingency) 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 emPowerSBC financing of \$100,000 or more 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.

- 12) With respect to an application to finance a renewable energy 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”), emPowerSBC staff reserves the right to require the appropriate engineering documentation and energy studies showing the energy savings and/or energy generation capabilities of the proposed project. emPowerSBC staff may also charge an additional administrative fee for this technical review (emPowerSBC staff will discuss any such fee with the property owner before proceeding).

#### **E. Utility Bills and Permit**

The property owner must submit utility bills or a report from their utility on their energy consumption, where possible, for the year prior to installing financed Improvements, and two years following the installation of Improvements. This requirement is necessary to comply with State Guidelines requiring that programs document and quantify the energy savings. Notably, utility bills are just one strategy that can be used to measure lowered energy use. Applicants are encouraged to propose other measurement strategies.

After receiving notice of Application approval and Notice to Proceed, the property owner (or contractor) must obtain a permit from the local building official. All Improvements, including those normally exempt from permit requirements, will require a permit or “sign-off” from the local jurisdiction (town, city, unincorporated area). Final inspection by the permitting jurisdiction or designee will be required to ensure that the Improvements were completed. A valid permit is required before emPowerSBC will provide financing for a project.

## **II. Funding Reservation and Process**

### **A. Reservation**

Given the availability of funds, a Notice to Proceed will be sent via email to property owners with approved applications. Once a Notice to Proceed has been provided, funds will be reserved for a maximum 180 days for that applicant.

The property owner must have an eligible contractor complete installation of the Authorized Improvements on the subject property and submit a proper funding request within the applicable reservation period. If the property owner fails to have an eligible contractor complete the installation of eligible Improvements on the subject property and submit a compliant funding request during the reservation period, the funding reservation will expire. A property owner may request to extend the reservation period for up to 90 days prior to its expiration. However, an additional fee of \$100 will be required. If the reservation expires, the property owner may reapply but there is no guarantee that a new reservation will be available.

A property owner may cancel a funding reservation during the reservation period, but will forfeit the application fee (except in the 3-day period following execution of an Assessment Contract) and will not be eligible for funding under that reservation. The property owner may reapply but will not be guaranteed funding availability and will need to pay another application fee.

### **B. Assessment Contract**

All property owners of record must sign the Assessment Contract and have their signature(s) notarized. The Program Administrator, on behalf of the County, will sign the Assessment Contract, which will assure the property owner that emPowerSBC financing has been approved and that funds are reserved for the property owner’s approved project.



### **C. Assessment Lien.**

Upon execution of the Assessment Contract, the emPowerSBC program records an assessment lien against the Property in the office of the Program Administrator, Clerk of the Board and the County Recorder's office. If funds are disbursed to property owners before the first business day in July, the first year's contractual assessment installments will appear on the next tax bill. For disbursements after that date, the first years' contractual assessment installments will be capitalized. The lien will be for the full amount of the contractual assessment. The contractual assessment includes a principal amount, an interest rate on that principal amount, and an ongoing administrative amount, as illustrated below:

- 1) The principal amount of the Contractual Assessment may include the following:
  - a. Eligible Costs. The Program may finance the costs of installing eligible Improvements and energy (or water) audit costs. All local and State incentives and rebates must be deducted from the financed amount prior to approval. The amount of the federal Income Tax Credit (ITC) that the property may be eligible to receive does not need to be deducted from the financed amount.
  - b. Deposit to a Debt Service Reserve Fund. emPowerSBC may require property owners to finance a deposit to a debt service reserve fund; the reserve fund would be used to pay debt service on the bonds in the event of contractual assessment installment delinquencies. Subject to the requirements of the County's bond documents, amounts in the debt service reserve fund will be available to pay the final year's contractual assessment installments for a property.
  - c. Capitalized Interest. Because the county has established a deadline for placing the contractual assessments on the county property tax bill, the principal component of the contractual assessment may also include the first tax year's installments if the deadline cannot be met.
  - d. Initial Administrative Costs and Costs of Issuance. Initial administrative costs may include: 1) The fee charged by the county to record the statutory notices in the real property records, 2) the costs of issuing any bonds, 3) financing origination costs, and/or 4) financing closing costs.
- 2) Interest Rate. The rate of interest on the amount of funding received will be a fixed interest rate. The rate will be fixed at different times depending on the bond approach. A fixed interest rate in the Assessment Contract will not vary. A not-to-exceed interest rate in the Assessment Contract will become fixed at time of bond sale.
- 3) Ongoing Administrative Costs. On-going administrative fees – including the fee charged by the County for the collection of the contractual assessment installments on the county property tax bill – will be included in the administrative expense component of the contractual assessment and are not expected to result in a significant increase to the aggregate interest rate reflected in the contractual assessment installment. emPowerSBC has reserved in the Assessment Contract the ability to pass through to property owners increased expenses.

### **D. Installation of Improvements.**

Property owner enters into a contractual arrangement directly with a contractor for installation of Improvements unless the property owner is self-installing the Improvements. All work is subject to

the appropriate jurisdiction's (county, city, town) permitting and inspections and all other applicable federal, State and local laws and regulations. All work must be completed, including the final inspection, within 180 days of execution of the Notice to Proceed. The property owner and Program Administrator may agree to an extension of this completion date for good cause.

#### **E. Final Inspections & Disbursement of emPowerSBC Financing.**

Contractors installing Improvements must comply with state and local licensing laws, obtain building permits, and properly field-verify any measures for which Title 24 Building Energy Efficiency Standards field verification protocols have been established. After Improvements are completed, the property owner must contact the local permitting agency for any final inspection and/or finalized permit. The property owner notifies emPowerSBC staff that all work has been completed and submits final documentation: finalized permit; invoices showing all costs, less rebate amounts (CSI, utility rebates, etc.); "test-out" energy survey documentation, if applicable, and water survey documentation, if applicable. The Program Administrator will oversee regular surveys/inspections to ensure the quality of work performed by contractors/property owners.

After submittal of the documentation to verify the completion of the project, emPowerSBC will prepare the associated Final Program Forms, including all documentation required by federal and State consumer protection laws, and deliver them to the property owner. Within 7 calendar days thereafter, the property owner must review, sign and submit to the Program Administrator, the following:

- 1) If it has not already done so, an executed and notarized Assessment Contract. (The property owner has 3 days to rescind the contract from the date of signing.)
- 2) An executed Information Verification form
- 3) An executed Right to Rescind form
- 4) An executed Truth in Lending form
- 5) An executed Authorization to Release Information to other emPowerSBC Administrators
- 6) A Payment Assignment Form, if the payment is to be assigned to the contractor
- 7) Executed wire request, if applicable

Checks will be mailed to the property owner at the beginning of each month, provided that final documentation has been filed with the emPowerSBC program five days before the end of the month for processing. The amount disbursed will be the lesser of (i) the maximum assessment amount provided in the Assessment Contract or (ii) the actual costs. Interest will generally accrue as of the date of disbursement.

In the event financing is canceled by the property owner after a request for funding is submitted to emPowerSBC, all expenses incurred by emPowerSBC and the County for recording assessment liens, preparing bond documents and removing assessment liens will be the responsibility of the property owner. The County will terminate the lien evidenced by recordation of the Notice of Assessment upon receipt of reimbursement from the property owner for these expenses, or it may include the cost in the contractual assessment.

In the event that a project is not completed, but a lien has already been placed on the property, all expenses incurred by emPowerSBC for recording the assessment liens and removing assessment



liens will be the responsibility of the property owner, or it may include the cost in the contractual assessment.

### **III. Payment Terms**

Payment of the emPowerSBC contractual assessment is made through the addition of a line item on the property tax bill. Payment terms range from 5 to 20 years, depending on the expected life of the installed improvements.

Contractual assessments may be prepaid in full or in part at any time, subject to a prepayment penalty. The prepayment penalty will be identified in the Assessment Contract, and is not expected to exceed 5 percent of the outstanding principal amount.



# Appendix C – Map of Area

The emPowerSBC program is available to property owners in all incorporated cities and unincorporated areas of Santa Barbara County.



# Appendix D – Form of Assessment Contract

## AGREEMENT TO PAY ASSESSMENT AND FINANCE IMPROVEMENTS

### SANTA BARBARA COUNTY

### EMPOWERSBC PROGRAM

This AGREEMENT TO PAY ASSESSMENT AND FINANCE IMPROVEMENTS (this "**Agreement**") is made and entered into as of this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between Santa Barbara County, a county duly organized and existing under the laws of the State of California (the "**County**"), and the record owner(s) (the "**Property Owner**") of the fee title to the real property identified on Exhibit A (the "**Property**").

### RECITALS

**WHEREAS**, the County has established the emPowerSBC program (the "**Program**") to allow the financing of certain renewable energy, energy efficiency and water efficiency improvements that are permanently fixed to residential, commercial, industrial, agricultural, or other real property in the County (the "**Authorized Improvements**") through the levy of contractual assessments pursuant to Chapter 29 of Division 7 of the Streets & Highways Code ("**Chapter 29**") and the issuance of improvement bonds or the entry into another financing relationship under the Improvement Bond Act of 1915 (Streets and Highways Code Sections 8500 and following) (the "**1915 Act**") upon the security of the unpaid contractual assessments; and

**WHEREAS**, Chapter 29 provides that assessments may be levied under its provisions only with the free and willing consent of the owner of each lot or parcel on which an assessment is levied at the time the assessment is levied pursuant to a contract between the property owner and the public agency; and

**WHEREAS**, the County has conducted the proceedings required by Chapter 29 with respect to the territory within the boundaries of the County; and

**WHEREAS**, the Property is located in the area within which the County is authorized to enter into voluntary contractual assessments to finance the installation of Authorized Improvements; and

**WHEREAS**, pursuant to Chapter 29, the County and the Property Owner wish to enter into a contract pursuant to which the Property Owner will agree to pay an assessment in order to finance the installation on the Property of the Authorized Improvements described in [Exhibit B](#) (the “**Improvements**”) and the County will agree to provide financing, all on the terms set forth in this Agreement;

**NOW, THEREFORE**, in consideration of the foregoing and the material covenants hereinafter contained, the Property Owner and the County formally covenant, agree and bind themselves and their successors and assigns as follows:

### **AGREEMENT**

**Section 1.**     Purpose. The Property Owner and the County are entering into this Agreement for the purpose of financing the installation of the Improvements identified on [Exhibit B](#) on the Property. The County will not finance installation of Improvements other than those listed on Exhibit B.

**Section 2.**     The Property. This Agreement relates to the real property identified on [Exhibit A](#). The Property Owner has supplied to the County current evidence of its ownership of fee title to the Property and possesses all legal authority necessary to execute this Agreement on behalf of the Property Owner.

**Section 3.**     Agreement to Pay Assessment; Prepayment; Non-Completion Assessment.

(a)     Payment of Initial Assessment. The Property Owner hereby freely and willingly agrees to pay the initial assessment set forth on [Exhibit C](#) (the “**Initial Assessment**”). The County will not provide financing in an amount in excess of the Initial Assessment.

Except as otherwise set forth in this Agreement, the Initial Assessment will be paid in the installments set forth in [Exhibit C](#). There are two schedules set forth in Exhibit C. If the County issues a bond or enters into another financing relationship to finance installation of the Improvements on the Property before the County’s deadline for placing the first year’s installments of the Initial Assessment on the County’s property tax roll, then the first year’s installments will be billed on the Property Owner’s property tax bill. Schedule 1 shows the amount of the Initial Assessment and the Initial Assessment installments payable in this circumstance.

If the County issues a bond or enters into another financing relationship to finance installation of the Improvements on the Property after the County’s deadline for placing the first year’s installments of the Initial Assessment on the County’s property tax roll, then the first year’s Initial Assessment installments will be financed and will be included in the amount of the Initial Assessment. Schedule 2 shows the amount of the Initial Assessment and the Initial Assessment installments payable in this circumstance.

Interest will accrue on the Initial Assessment at an interest rate not to exceed the rate set forth on Exhibit A beginning on the date on which the County issues bonds or enters into another financing relationship to finance the installation of the Improvements.

(b) **Payment of Non-Completion Assessment.** The Property Owner hereby freely and willingly agrees to pay the additional assessment (the “**Non-Completion Assessment**”) identified on Exhibit A in the event that the Property Owner fails to install the Improvements in compliance with the Program rules or otherwise fails to meet the conditions established by the County for financing through the Program. The Property Owner acknowledges that the purpose of the Non-Completion Assessment is to provide for redemption of any bonds issued by the County or prepayment of any other financial obligation entered into by the County to finance installation of the Improvements on the Property, and to pay any costs incurred by the County in order to release the lien of the Assessment on the Property. The Property Owner further acknowledges that the Non-Completion Assessment will be levied in full by the County as set forth in Section 5898.30 of Chapter 29 in the first fiscal year in which the County is able to cause the Non-Completion Assessment to be placed on the property tax roll.

(c) **Administrative Expenses.** The Property Owner hereby acknowledges that, pursuant to the 1915 Act, including Sections 8682(b) and 8682.1(a), the County may add amounts to an annual installment of the Initial Assessment in order to pay for the costs of collecting the Assessment (the “**Additional Administrative Assessment**”; together with the Initial Assessment and the Non-Completion Assessment, the “**Assessment**”).

(d) **Prepayment of the Assessment.** The Assessment may be prepaid, in whole or in part, at any time upon the payment of (i) the whole or a portion of the unpaid principal component of the Assessment, (ii) the accrued but unpaid interest component of the whole or applicable portion of the unpaid principal component of the Assessment through the prepayment date, (iii) a prepayment premium in the amount set forth on Exhibit A and (iv) the reasonable costs of the County related to such prepayment.

(e) **Absolute Obligation.** The Property Owner hereby agrees that the Assessment will not be subject to reduction, offset or credit of any kind in the event that the bonds secured thereby are refunded or for any other reason.

**Section 4.** **Collection of Assessment; Lien.** The Assessment, and the interest and penalties thereon as a result of a delinquency in the payment of any installment of the Assessment, shall constitute a lien against the Property until they are paid and shall be collected and shall have the lien priority as set forth in Chapter 29.

The Property Owner acknowledges that if any Assessment installment is not paid when due, the County has the right to have the delinquent installment and its associated penalties and interest stripped off the secured property tax roll and immediately enforced through a judicial foreclosure action that could result in a sale of the Property for the payment of the delinquent installments, associated penalties and interest, and all costs of suit, including attorneys' fees. The Property Owner acknowledges that, if bonds are sold or if the County enters into another financing relationship to finance the Improvements, the County may obligate itself, through a covenant with the owners of the bonds or the lender under such other financing relationship, to exercise its foreclosure rights with respect to delinquent Assessment installments under specified circumstances.

**Section 5.**     Financing of the Improvements.

(a)     Agreement to Finance Improvements. The County hereby agrees to use the Assessment to finance the Improvements, including the payment of the County's reasonable costs of administering the Program, subject to the Property Owner's compliance with the conditions for such financing established by the County. [*Agreement may provide for multiple disbursements for non-residential property*].

(b)     Assessment Installments. The Property Owner agrees to the issuance of bonds and other financing arrangements by the County to finance the installation of the Improvements. The interest rate used to calculate the Assessment installments set forth on Exhibit C is identified on Exhibit A. The Property Owner acknowledges that the County may undertake the issuance of bonds and other financing arrangements that may involve a lower interest rate than that set forth on Exhibit A, but that the County believes the interest rate used to calculate the Assessment installments reasonably represents the County's cost of financing the Improvements. If the County determines in its reasonable discretion that the Initial Assessment installments may be reduced because the applicable interest rate is lower than the interest rate specified in Exhibit A, or if the cost of the Improvements, as shown in a final invoice provided to the County by the Property Owner, is less than the amount shown on Exhibit B, then, concurrently with the disbursement of funds to the Property Owner, the County may provide the Property Owner with a schedule of annual Initial Assessment installments that provides for annual installments that are less than those set forth in the attached Exhibit C.

(c)     Intent to Reimburse. The County hereby declares its intent to issue bonds or enter into other financing arrangements, in an amount not to exceed \$160 million, as Qualified Energy Conservation Bonds under Section 54(D)(e)(1) of the Internal Revenue Code of 1986, and to reimburse the County for expenditures paid prior to the date of issuance of such bonds or entry of such other financing arrangements, including advances from the County's general fund.

**Section 6.** Term; Agreement Runs with the Land; Subdivision.

(a) Except as otherwise set forth in this Agreement, this Agreement shall expire upon the final payment or prepayment of the Assessment.

(b) This Agreement establishes rights and obligations that are for the benefit of the Property and, therefore, such rights and obligations run with the land pursuant to Civil Code Section 1462.

(c) In the event the Property is subdivided while the Assessment remains unpaid, the Assessment will be assigned to the newly-created parcel on which the Improvements are located. If the Improvements no longer exist, the Assessment will be assigned to each of the newly-created parcels on a per-acre basis, unless the County, in its sole discretion, determines that the Assessment should be allocated in an alternate manner.

**Section 7.** Recordation of Documents. The Property Owner hereby authorizes and directs the County to cause to be recorded in the office of the County Recorder the various notices and other documents required by Chapter 29 and other applicable laws to be recorded against the Property.

**Section 8.** Notice. To the extent required by applicable law, the Property Owner hereby agrees to provide written notice to any subsequent purchaser of the Property of the obligation to pay the Assessment pursuant to this Agreement.

**Section 9.** Waivers, Acknowledgment and Agreement. Because this Agreement reflects the Property Owner's free and willing consent to pay the Assessment following a noticed public hearing, the Property Owner hereby waives any otherwise applicable requirements for an engineer's report, notice, public hearing, protest or ballot pursuant to Article XIID of the California Constitution or any other provision of California law.

The Property Owner hereby waives its right to repeal the Assessment by initiative or any other action, or to file any lawsuit or other proceeding to challenge the Assessment or any aspect of the proceedings of the County undertaken in connection with the Program. The Property Owner hereby agrees that the Property Owner and its successors in interest to fee title in the Property shall be solely responsible for the installation, operation and maintenance of the Improvements. The Property Owner hereby acknowledges that the Property will be responsible for payment of the Assessment regardless of whether the Improvements are properly installed, operated or maintained as expected.

The Property Owner hereby agrees that the County is entering into this Agreement solely for the purpose of assisting the Property Owner with the financing of the installation of the Improvements, and that the County and the city (if any) within whose incorporated territory the Property is located (the "City") have no responsibility of any kind for, and shall have no liability arising out of, the installation, operation, financing, refinancing or maintenance of the

Improvements. Based upon the foregoing, the Property Owner hereby waives the right to recover from and fully and irrevocably releases the County, the City and any and all agents, employees, attorneys, representatives and successors and assigns of the County and the City from any and all losses, liabilities, claims, damages (including consequential damages), penalties, fines, forfeitures, costs and expenses (including all reasonable out-of-pocket litigation costs and reasonable attorney's fees), relating to the subject matter of this Agreement that the Property Owner may now have or hereafter acquire against the County, the City and any and all agents, employees, attorneys, representatives and successors and assigns of the County or the City.

To the extent that the foregoing waivers and agreements are subject to Section 1542 of the California Civil Code or similar provisions of other applicable law, it is the intention of the Property Owner that the foregoing waivers and agreements will be effective as a bar to any and all losses, liabilities, claims, damages (including consequential damages), penalties, fines, forfeitures, costs and expenses (including all reasonable out-of-pocket litigation costs and reasonable attorney's fees), of whatever character, nature and kind, known or unknown, suspected or unsuspected, and Property Owner agrees to waive any and all rights and benefits conferred upon the Property Owner by the provisions of Section 1542 of the California Civil Code or similar provisions of applicable law. Section 1542 reads as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

By initialing below, the Property Owner agrees to waive the provisions of Section 1542 in connection with the matters that are the subject of the foregoing waivers and releases.

Property Owner's Initials: \_\_\_\_\_

The waivers, releases and agreements set forth in this Section 9 shall survive termination of this Agreement.

**Section 10. Indemnification.** The Property Owner agrees to indemnify, defend, protect, and hold harmless the County, the City, and any and all agents, employees, attorneys, representatives and successors and assigns of the County or the City, from and against all losses, liabilities, claims, damages (including consequential damages), penalties, fines, forfeitures, costs and expenses (including all reasonable out-of-pocket litigation costs and reasonable attorney's fees) and any demands of any nature whatsoever related directly or indirectly to, or arising out of or in connection with (i) the Assessment, (ii) the financing by the County of the Improvements, (iii) the Improvements, (iv) or any other fact, circumstance or event related to the subject matter of this Agreement, regardless of whether such losses, liabilities, claims, damages (including consequential damages), penalties, fines, forfeitures, costs and expenses (including all reasonable out-of-pocket litigation costs and reasonable attorney's fees) accrue before or after the date of this Agreement.



The provisions of this Section 10 shall survive the termination of this Agreement.

**Section 11.** Right to Inspect Property. The Property Owner hereby grants the County, its agents and representatives the right to enter at any reasonable time, upon reasonable notice, to inspect the Improvements. The Property Owner further hereby grants the County, its agents and representatives the right to examine and copy any documentation relating to the Improvements.

**Section 12.** Carbon Credits. The Property Owner hereby agrees that any carbon credits attributable to the Improvements shall be owned by the County.

**Section 13.** Program Application. The Property Owner hereby represents and warrants to the County that the information set forth in the Program Application submitted to the County in connection with its request for financing is true and correct as of the date hereof, and that the representations set forth in the Program Application with respect to the Property and the Property Owner are true and correct as of the date hereof as if made on the date hereof.

**Section 14.** Amendment. Except as set forth in Section 5(b), this Agreement may be modified only by the written agreement of the County and the Property Owner.

**Section 15.** Binding Effect; Assignment. This Agreement inures to the benefit of and is binding upon the County, the Property Owner and their respective successors and assigns.

The County has the right to assign any or all of its rights and obligations under this Agreement without the consent of the Property Owner. The obligation to pay the Assessment set forth in this Agreement is an obligation of the Property and no agreement or action of the Property Owner will be competent to impair in any way the County's rights, including, but not limited to, the right to pursue judicial foreclosure of the Assessment lien or the right to enforce the collection of the Assessment or any installment thereof against the Property.

**Section 16.** Exhibits. The Exhibits to this Agreement are incorporated into this Agreement by this reference as if set forth in their entirety in this Agreement.

**Section 17.** Severability. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision of this Agreement.

**Section 18.** Corrective Instruments. The County and the Property Owner agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required in order to carry out the expressed intention of this Agreement.

**Section 19.** Governing Law; Venue. This Agreement is governed by and construed in accordance with the laws of the State of California. Any legal action brought under this Agreement must be instituted in the Superior Court of the County of Santa Barbara, State of California; provided, however, actions to foreclose delinquent installments of the Assessment will be instituted in the superior court of the County or as otherwise provided by law.

**Section 20.** Counterparts. This Agreement may be executed in several counterparts, each of which is an original and all of which constitutes one and the same instrument.

IN WITNESS WHEREOF, the County and the Property Owner have caused this Agreement to be executed in their respective names by their duly authorized representatives, all as of the date first above written.

**COUNTY OF SANTA BARBARA**

By: \_\_\_\_\_

Its: \_\_\_\_\_

The following are the authorized signatories of the Property Owner:

Name: _____ By: _____ Its: _____	Name: _____ By: _____ Its: _____
Name: _____ By: _____ Its: _____	Name: _____ By: _____ Its: _____

**EXHIBIT A**

Agreement Number: \_\_\_\_\_

Property Owner: \_\_\_\_\_

\_\_\_\_\_

Property (APN): \_\_\_\_\_

\_\_\_\_\_

Prepayment Premium: \_\_\_\_\_

Interest Rate Used to Calculate Initial Assessment Installments: \_\_\_\_\_

\_\_\_\_\_

Non-Completion Assessment: The Non-Completion Assessment may include (i) an amount necessary to redeem the attributable portion of any bonds or other financing relationship issued to finance installation of the Improvements on the Property, including but not limited to a prepayment premium in an amount equal to \_\_\_\_% of the Initial Assessment identified on Exhibit C and (ii) an amount necessary to pay the County’s costs related to the release of the lien of the Initial Assessment on the Property.



## EXHIBIT B

### IMPROVEMENTS

The Improvements are described on the attached documentation.



EXHIBIT C

SCHEDULE 1

INITIAL ASSESSMENT INSTALLMENTS

(assumes the first year’s installments are not capitalized)

Fiscal Year	Principal (a)	Interest (b)*	Administrative Expenses (c)**	Total (a) + (b) + (c)


Total Initial Assessment:      \$ \_\_\_\_\_

\*      Assumes bonds are issued or another financing relationship is entered into by the County to finance installation of the Improvements 30 days after the date of the application for contractual assessment financing submitted with respect to the Property.

\*\*      Subject to increase pursuant to Section 3(c) of the Agreement.

**SCHEDULE 2**

**INITIAL ASSESSMENT INSTALLMENTS**

(assumes the first year's installments are capitalized; it will be necessary to capitalize the first year's installments if the County issues bonds or enters into another financing relationship to finance the installation of Improvements on the Property after the County's deadline for placing the first year's installments on the property tax roll)

Fiscal Year	Principal (a)	Interest (b)*	Administrative Expenses (c)**	Total (a) + (b) + (c)


Total Initial Assessment:      \$ \_\_\_\_\_

- \* Assumes bonds are issued or another financing relationship is entered into by the County to finance installation of the Improvements 30 days after the date of the application for contractual assessment financing submitted with respect to the Property.
- \*\* Subject to increase pursuant to Section 3(c) of the Agreement.



[Attach notary pages]

