



**BOARD OF SUPERVISORS
AGENDA LETTER**

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

Agenda Number:

Submitted on:
(COB Stamp)

Department Name: General Services
Department No.: 063
Agenda Date: April 1, 2025
Placement: Administrative Agenda
Estimated Time:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Director: Kirk Lagerquist, Director, General Services
Contact Info: Ted Teyber, Assistant Director, General Services (805) 568-3083
SUBJECT: Approve the pursuit of federal tax credits under the Inflation Reduction Act of 2022 for certain eligible energy efficiency projects

DocuSigned by:
Kirk Lagerquist
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County Counsel Concurrence

As to form: Yes

Other Concurrence: CEO

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- a) Approve the pursuit of federal tax credits under the Inflation Reduction Act of 2022 for certain eligible energy efficiency projects;
- b) Approve the use of federal tax credit proceeds received pursuant to Recommended Action a) for future energy efficiency projects approved by the Board of Supervisors, subject to distribution to contributing special revenue funds; and
- c) Determine that the above action is not a project under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Sections 15378(b)(4) and 15378(b)(5) because it consists of government administrative or fiscal activities that will not result in direct or indirect physical changes in the environment (majority vote).

Summary Text:

The General Services Department recommends maximizing the financial benefits of recent energy efficiency projects by filing a federal tax return to claim the eligible IRA tax credits. General Services has engaged Novogradac & Company LLP (“Novogradac”) to assist in securing tax credits for energy-saving improvements on County-owned properties and county purchased zero-emission vehicles. By pursuing these federal tax credits, the County can elect to designate the credits received to be applied to future clean energy and sustainability projects. If the original funding source was a Special Revenue Fund, the tax credit proceeds will be set aside and refunded to that fund for use in future initiatives aligned with its intended purpose.

Background:

On August 16, 2022, the United States passed the Inflation Reduction Act of 2022 (IRA) to invest in clean energy and climate resilience. As a part of the IRA, eligible entities investing in certain clean energy projects could qualify for credits to their tax returns for their investments. On May 10, 2024, the Internal Revenue Code was revised to permit local government agencies to take advantage of a direct pay provision for the clean energy tax credits on eligible energy efficiency investments. With this revision, a local government that makes a qualifying clean energy investment can file an annual tax return with the IRS to claim elective pay for the full value of the tax credit, if it meets all of the requirements including a pre-filing registration requirement. As the local government would not owe other federal income tax, the IRS would then make a refund payment in the amount of the credit to the local government.

County staff are interested in pursuing IRA funds for the following projects:

1. Fire Station 12 Solar and Battery project - \$139,113
2. Betteravia Government Center Solar and Battery projects - \$1,544,222
3. Regional Fire Communications Center Solar project - \$506,572
4. Electric Vehicles – \$27,000 estimated to date

The downtown Probation Headquarters project, currently under construction, may have components that County staff may be interested in pursuing for IRA funds once completed.

On January 20, 2025 the White House Issued an Executive [Order titled Unleashing American Energy](#) which placed a 90-day hold on funding pursuant to the IRA. During the hold, federal agency directors are tasked with reviewing funding in comparison to the priorities laid out in the order. The impact of the order on IRA tax credits will not be known with certainty until after reviews are complete, after late April. In the meantime, it is prudent to proceed with the filing process so as not to miss the filing deadline of May 15.

Performance Measure:

Below is the timeline for filing the first completed project, Fire Station 12 Solar and Battery project, this year:

1. County Pre-Filing Registration 4/1/25;
2. Receive pre-registration number from the IRS (typically 4-6 weeks). IRS may request additional information or have questions during this process;
3. Novogradac to complete cost segregation and tax return;
4. Fire Station 12 filing deadline 5/15/25 – Novogradac will electronically file

Once the return is electronically filed, payment should be received in the form of a check within 90 days to 6 months.

Assuming no changes to the Inflation Reduction Act apply to future filing years, this timeline would roughly apply to subsequent tax year filings for Betteravia Government Center Solar and Battery projects, and the Regional Fire Communications Center project.

Fiscal and Facilities Impacts:

The County could receive an estimated \$2.2 million in tax credits under the Inflation Reduction Act for recently completed projects. The first tax credit filing for Fiscal Year 2022-23 totals \$142,750 for Fire Station 12 solar and battery projects and an electric vehicle. Then the County will complete a filing for Fiscal Year 2023-24 in the amount of \$2,074,800 for the Regional Fire Communication Center solar and battery project, Betteravia solar and battery project, and electric vehicle purchases.