

Santa Barbara County

Central Coast Energy Independence Program

Draft Administrative Guidelines

November 19, 2009



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1. Introduction

In July, 2008, the California Legislature approved Assembly Bill 811, authorizing cities and counties to establish voluntary contractual assessment programs to reduce the upfront costs associated with energy efficiency and renewable energy projects proposed by property owners. The California Legislature declared that a public purpose will be served by such programs, giving local governments the authority to finance the installation of energy efficiency improvements and distributed generation renewable energy sources – such as solar – that are permanently affixed to real property. Santa Barbara County aims use this financing authority to establish the Central Coast Energy Independence Program (CCEIP or Program), which would promote widespread retrofits to residential and commercial property throughout the region, thereby reducing greenhouse gas (GHG) emissions, enabling energy independence, and stimulating economic opportunities throughout the region – all fundamental principles in the Santa Barbara County Climate Change Guiding Principles (Climate Change Guiding Principles).¹ Given that the treatment and movement of water accounts for approximately 20 percent of statewide energy use, this program will also fund water conservation activities.² Accordingly, in this report, improvements are collectively referred to as “Energy and Water Conservation Improvements” or “Improvements.”

The CCEIP is voluntary and requires the full consent of property owners seeking to finance the installation of eligible improvements under contractual assessment agreements. Property owners will repay CCEIP Financing through an assessment levied against their property, which 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, the CCEIP 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, the CCEIP will enable jurisdictions within Santa Barbara County to make substantial strides towards implementing existing energy and climate protection plans. Many of these plans relate to the statewide GHG emission reduction targets set through Assembly Bill (AB) 32, and as noted in the AB 32 Scoping Plan, poorly performing buildings account for almost 25% of GHG emissions statewide.

¹ Adopted by the Board of Supervisors on March 17, 2009.

² Assembly Bill 32 Scoping Plan, adopted in December 2006 by the California Air Resources Board.

Program Benefits

The CCEIP provides multiple benefits, relating primarily to two categories: 1) economic development and 2) quality of life. Economic development benefits of the CCEIP 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.³ 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 induced 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.⁴ Moreover, the CCEIP provides an alternative form of financing for property owners. Particularly in financial cycles where credit and lending standards are stringent, the ability to obtain alternative sources of capital is extremely important. Accordingly, the CCEIP provides a no-money-down means of financing for energy and water conservation improvements, with a fixed-rate and terms that may not readily be available through traditional means, such as home equity loans.

The CCEIP catalyzes broader impacts to the regional quality of life through speeding investments into smarter energy and water practices. For example, a reduction in communitywide energy and water use translates directly into reduced GHG emissions, and helps secure our collective energy 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 the CCEIP will increase building comfort and safety, thereby promoting public health, employee productivity, and overall wellbeing. Additionally, the possibility remains that carbon credits may be attributable to Improvements financed by CCEIP. In this case, such credits will be held by the County of Santa Barbara (on behalf of the Central Coast Energy Independence Program) and used to promote the sustainability of the program.

Program Administration

The County Housing and Community Development Director is designated as the CCEIP Program Administrator and is authorized to enter into contractual assessments on behalf of the County. 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. Among other duties assigned by the Program Administrator, CCEIP Staff will be responsible for:

- Community outreach
- Responding to property owners' inquiries

³ CCEIP does not guarantee savings on utility bills. CCEIP highly recommends that a property owner consult with PG&E or other trained professionals to ensure that the proposed Improvements satisfy the property owner's energy-saving goals.

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

- Processing applications
- Managing and tracking funds available for the CCEIP
- Tracking individual and collective energy conservation
- Working and coordinating with participating jurisdictions

The CCEIP 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 CCEIP Staff and apply for funding. The County is in the process of developing a permanent, interactive website for the Program, where the public and program participants can obtain information and apply to CCEIP.

2. Program Requirements

Program Report

In order to establish this Program, the County must prepare this report, establishing how the program will function (the “Program Report”).⁵ This Program Report is the guiding document for the CCEIP 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 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.

Program Report

By nature of the County’s jurisdictional authority, at the time of program adoption, the CCEIP will be 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 must enter into implementing agreements with each incorporated city. To date, all eight incorporated cities within Santa Barbara County have expressed verbal interest in participating in the CCEIP, and it is expected that the program will be available soon to all residents within the boundaries of Santa Barbara County. A map showing the County boundaries is attached as Appendix C.

Eligible Property Owners and Eligible Properties

Property owners may be individuals, associations, business entities, cooperatives, and virtually any owner which pays real property taxes. Certain eligibility criteria must be satisfied. Financing may be approved if the following criteria are met:

- Property Title is vested in the applicant/property owner without federal or state income tax liens, judgment liens or similar involuntary liens on the property;

⁵ See California Streets and Highways Code Section 5898.22.

- Property owner is current on property taxes;
- Property owner is not in bankruptcy and the property is not an asset in a bankruptcy proceeding;
- Property owner is current on mortgage(s). For commercial property,⁶ lender has given consent to CCEIP Financing;
- Improvement costs are reasonable to property value and equity. As a guideline, proposed Improvements should not exceed 10 percent of assessed or market value. If more costly Improvements are proposed, 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; and
- Condominium owners must conform to HOA policies.

CCEIP Financing is currently available for properties that are subject to secured property taxes.⁷ However, 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 Energy and Water Conservation Improvements are desired by the owner, so long as eligibility criteria discussed in this report are met.

Eligible Equipment

CCEIP enables property owners in Santa Barbara County the opportunity to take advantage of a wide range of energy-savings and water conservation measures, consistent with the following provisions:

- CCEIP Financing is intended principally for retrofit activities to replace outdated inefficient equipment and to install new equipment that reduces energy consumption, produces renewable energy, or reduces energy use through water conservation. However, CCEIP Financing is also available for purchasers of new homes and businesses that wish to add energy efficiency, renewable energy, and water conservation improvements after taking title to the property.
- CCEIP provides financing only for Improvements that are permanently affixed to real property.⁸
- CCEIP provides financing for Improvements specified in Appendix A. Broadly, these include three tracks:

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

⁷ Governmental entities, certain non-profit corporations, and mobile homes are typically not subject to property taxes.

⁸ Pursuant to California Streets and Highways Code Section 5898.22.

- Energy Efficiency and Renewable Energy Improvements
- Water Conservation Improvements;
- Custom Measures.⁹

Projects must follow the loading order and other criteria outlined in the California Energy Commission’s (CEC) State Energy Program (SEP) for Municipal Financing Programs. Generally, this means that applicants must demonstrate that a minimum energy savings of 10 percent below baseline conditions will be achieved through energy efficiency measures, including water conservation, prior to the installation of renewable energy sources (i.e., solar photovoltaic) to qualify for financing. Notably, efforts are underway by the US Department of Energy (DOE) to provide guidance on loading order and investments in improvements financed through programs like the CCEIP. Such requirements will help customers ensure the cost-effectiveness of investments, while prioritizing available funding to maximize the reduction of energy use and GHG emissions.¹⁰ See Section IV for more information on calculating energy savings.

CCEIP Financing is also available for projects that combine eligible improvements, such as a bundle of energy efficiency, water conservation, and renewable energy measures. For instance, a property owner may choose to replace an aging and inefficient furnace, install weather stripping, install low flow toilets and install a solar photovoltaic system.

Eligible Costs and Program Fees

Project Costs. Eligible costs of the Energy and Water Conservation Improvements include the cost of equipment and installation. Installation costs may include, but are not limited to, energy audit consultations, labor, design, drafting, engineering, permit fees,¹¹ and inspection charges. The installation of energy savings and water conservation improvements can be completed by a licensed contractor of the property owner’s choice. Eligible costs do not include labor costs for property owners that elect to do the work themselves. Property owners who elect to engage in broader projects – such as home or business remodeling – may only receive CCEIP Financing for that portion of the cost of retrofitting existing structures with Energy and Water Conservation Improvements. Repairs and/or new construction do not qualify for CCEIP 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.

⁹ Large scale commercial or industrial projects requiring engineering design and meeting the financing threshold (\$250,000) 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.

¹⁰ The CEC SEP Guidelines can be found at: <http://www.energy.ca.gov/contracts/recovery.html#eecbg>

¹¹ All improvements, including those normally exempt from permit requirements, will require a permit from the local jurisdiction (town, city, unincorporated area). Each jurisdiction sets its own permit fees. Final inspection by a building inspector will ensure that the Improvements were completed.

The value of expected rebates,¹² but not the value of expected tax credits, will be deducted from CCEIP Financing. CCEIP Staff will determine whether the estimated equipment and installation costs are reasonable. CCEIP Staff will evaluate market conditions and may require the property owner to obtain additional bids to determine whether costs are reasonable. While the property owner may choose the contractor, the amount available for CCEIP Financing will be limited to an amount determined reasonable by CCEIP Staff, and may be reviewed by the Program Administrator. The Santa Barbara County Board of Supervisors will review all projects over \$250,000.

Program Fees. The following program fees will be the responsibility of the property owner. The annual assessment fee will be included on the annual tax statement. Other fees may be paid at the time they are incurred, or may be added into the amount to be financed by the property owner:

- Title costs, including title insurance, where required. Regular title costs are \$65 for projects under \$5,000, and \$215 for projects \$5,000 and over, but less than \$250,000. Projects over \$250,000 will require a title search and insurance.
- Basic recording fee, set by Recorder's Office, currently \$9.00.
- Assessment collection and processing costs will be added to the annual assessment on property tax bills. 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 a third party assessment contractor.
- The CCEIP generally distributes funds in one lump sum; however, if the property owner wishes to have multiple disbursements (only on improvements in excess of \$60,000), the multiple disbursements will be subject to an additional processing fee of \$150 per disbursement and interest will begin to accrue on the entire assessment amount at the time of the first disbursement. The Application and Assessment Contract are provided in Appendix D and E. A detailed Summary of the CCEIP Financing Process is attached as Appendix B.
- OPTIONAL: Escrow fees. Some large projects, or projects with multiple contractors, may benefit from funding through an escrow process. If this process is selected by the property owner, the owner would select an escrow agent, and after the Assessment Contract is signed, the amount 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. As in the Multiple Disbursement Assessment Contract, interest on the full amount of the requested disbursement will begin to accrue as soon as the escrow is funded. Any amount not needed at the completion of the project must be returned to the Program, and will be deducted from the amount of the assessment lien.

¹²“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.

Administrative Costs

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

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 Efficiency and Renewable Energy Improvements

This track covers a wide range of energy efficiency fixtures from windows and doors, to attic insulation and HVAC equipment that is Energy Star rated. Packaged and central air conditioning systems must meet specified minimum efficiencies. Consistent with the CEC SEP Guidelines, a 10 percent reduction in energy use must be demonstrated as achievable through energy efficiency retrofits, prior to the installation of renewable energy improvements (i.e., solar photovoltaic).

Water Conservation

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

Custom

The development of technologies is encouraged by CCEIP 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 CCEIP 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 was reviewed.

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

By participating in the CCEIP, the property owner is investing in the community's future by helping to reduce energy usage and associated GHG emissions. 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 CCEIP resources maximize energy savings and GHG emission reductions for the dollars invested, while also ensuring consumers' interests are upheld. Accordingly, surveys, audits, and inspections provide a valuable mechanism to protect all parties involved in CCEIP transactions. The County's Innovative Building Review Program (IBRP) will be leveraged to assist with surveys, site checks, and documentation of energy savings. It is expected that the IBRP will benefit from efforts underway at the US Department of Energy (DOE) to provide guidance on quality assurance and surveys, and to provide consumer safe-guards so that investments in improvements financed through programs like the CCEIP are adequately protected.

Residential Properties

As previously discussed, applicants must achieve at least 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 threshold can be met. Online 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 provider to see if free water conservation surveys are available.

Residential property owners are strongly encouraged to obtain an onsite survey by hiring a Home Energy Rating System ("HERS") rater, or equivalent. Generally, the auditor will make an on-site inspection of the property and evaluate the condition of the building and recommend an energy savings priority list, which will provide the greatest benefit for the money invested. These inspection/audits also provide valuable data on energy usage, savings and GHG emissions reductions, all of which are goals of CCEIP. Costs incurred to conduct onsite audits or surveys may be included in the application for CCEIP Financing. As the CCEIP matures, strategies will be implemented to increase the availability of and access to onsite surveys/audits, particularly for residential properties. Notably, in January 2010, the "HERS II" program will become active, establishing requirements and protocols for conducting Whole-house 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 32.¹³ To ensure that the Central Coast transitions to this new standard with an adequate and prepared workforce, the Program Administrator and CCEIP staff is working closely with training organizations, utilities, and educational institutions to support local economic development.

¹³ California Energy Commission, State Energy Program Guidelines

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 and may include the cost in the application for CCEIP Financing. Property owners can also check with their local water provider to see if free water conservation surveys are available.

Documentation of Energy Savings

Documentation of energy savings is an important component of demonstrating program performance and outcomes. Where possible, program participants are to submit documentation, such as utility bills, for the year prior to installing improvements financed through the CCEIP and two years following the installation of improvements, to demonstrate increased building performance.¹⁴ Often, utility companies will provide customers with reports on prior years' energy use, given a request. If utility bills are not available, the applicant is still required to work with staff to provide appropriate documentation to measure energy savings. Program participants should note that purchases of new appliances, such as second refrigerators or freezers for the garage, will increase energy use. Property owners are encouraged to note these and other cases where such behaviors have changed energy consumption and impact the use of utility bill data to determine the effectiveness of improvements financed through the CCEIP.

¹⁴ This requirement is necessary to comply with CEC SEP Guidelines requiring that programs document and quantify the energy savings.

5. Program Parameters

Minimum Energy Financing Amount and Duration of Assessment

CCEIP Assessment Contracts are available for up to 20-year terms to accommodate a wide range of efficiency measures and renewable energy investments. The minimum size for a CCEIP Assessment Contract is \$2,500. All Assessment Contracts below \$5,000 are subject to a five- or ten-year assessment repayment period. Assessments over \$5,000 are subject to a 10- or 20-year assessment repayment period, requested by the property owner, and agreed to by the Program Administrator or designated Program staff.

Maximum Energy Financing Amount

CCEIP Assessment Contracts for improvements to residential properties are generally capped at \$75,000 per property. All contracts for amounts greater than \$40,000 must be approved by the Program Administrator and may require additional documentation. CCEIP Assessment Contracts for amounts greater than \$250,000 must be approved by the Board of Supervisors. CCEIP Financing will be disbursed directly to the property owner after improvements are completed and final documentation is submitted to CCEIP Staff.

Maximum Portfolio

The County intends to initially fund CCEIP with a commitment of up to \$40 million, and a goal to seek long term financing when the aggregated contractual assessments equals \$25 million. The County will explore other financing opportunities to ensure that this initial commitment is refreshed and the program is sustainable.

Assessment Interest Rate

The Program Administrator will set the interest rate for a CCEIP Assessment Contract at the time the Program and property owner enter into the 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. The interest rate for the CCEIP program will be periodically proposed by the Program Administrator to the Debt Advisory Committee, which will make a recommendation to the Board of Supervisors. The Board of Supervisors will ultimately set the rate. The interest rate will be set with the intention of creating a self sustaining program at a rate that is competitively priced compared to financing options available through banking or other financial institutions, balanced with the ability to remarket the securities and encourage the future liquidity of the CCEIP program. Initially, the Program Administrator is recommending the interest rate for the program be set at a fixed interest rate of 7.00 percent.

Property Assessment Lien

All property owners must sign and notarize the CCEIP Assessment Contract. Upon execution of the Assessment contract, the Program will place a lien for the full amount of the assessment on the property that secures the assessment. If funds are disbursed to property owners before the first business day in July, the assessment will appear on the next tax bill. For disbursements made after the first business day of July, the assessment will not appear on the tax bill until the following tax year, but interest will accrue on the outstanding amount.

Delinquent Assessment Collections

Delinquent assessments will be collected using the laws and powers authorized under state statutes for collecting property taxes and assessments. Delinquent assessments will be collected and allocated under the Alternative Method (Teeter Plan), in accordance with state statutes. Where bonds have been sold to finance assessments, state law also allows delinquent assessments to be collected through foreclosure proceedings to protect bondholders.

6. The Financial Strategy

The County Auditor/Controller will establish the Central Coast Energy Independence Program Fund (the “CCEIP 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 County of Santa Barbara and will be collected through the property assessment mechanism in the Santa Barbara County property tax system and included in the Santa Barbara County Teeter Program.

The County will manage the CCEIP in one enterprise fund with multiple programs: financing, operations and marketing, debt administration. It is necessary to ensure that financings equal the County’s receivables. Likewise, it is necessary to separate County’s funds for repaying bonds, etc. to ensure funds are available when payment is due. The Auditor-Controller has the authority to develop the necessary accounting structure needed to run the CCEIP.

The County will issue an assessment district bond or note, or a series of bond or notes, in an aggregate principal amount not to exceed \$40 million to be purchased by the Santa Barbara County Treasury Pool. The aggregate amount of notes outstanding at one time may not exceed five percent of the pool or up to \$40 million of the total Treasury Pool; however, the goal is to access long term financing with aggregate assessment bonds or notes equals \$25 million. An example of a possible financing arrangement is briefly 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 short term advance receivables from the General Fund. When total advancements reach \$3 - \$5 million, the program will sell an assessment district bond or note (the “Note”) to the Treasurer’s Investment Pool. This Note must meet the requirements of the Treasurer’s Investment Policy and pay a market rate. The County will use the proceeds from the Note to repay the General Fund, and resume financing contractual assessments.

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

The County will use revenues from the annual administrative assessment provided for in each Assessment Contract to pay for the administrative expenses of the County in connection with the Note and the collection of the assessments. It is anticipated the administrative assessment will be a nominal amount, to cover the cost of the assessment administrator and the Auditor-Controller’s cost in placing the charge on the tax roll.

For long-term and additional financing, the Program Administrator will explore funding opportunities from a number of other potential funding sources, and combinations of sources, which may include, but are not limited to, additional funding from any funds under the control of the Board of Supervisors, the issuance of notes, bonds, or agreements with utilities or public or private lenders, other governmental entities and quasi-governmental entities such as SCERA, CALPERS, Great West Retirement Solutions, or any financing structure allowed by law.

Initially, 50 percent of the funds will be reserved for CCEIP Assessment Contracts for residential property owners, and 50 percent for all other property owners. The Program Administrator may adjust that allocation to not less than 40 percent of the funds to be reserved for residential property owners and not more than 60 percent of the funds to be reserved for all other property owners. The Program Administrator will report on Program progress to the Board of Supervisors and the County Executive Officer on a quarterly basis at a minimum, providing the Board of Supervisors with the information necessary to further adjust this allocation to match Program participation, with recommendation from the Program Administrator.

The Program Administrator and County Executive Officer have the authority to establish a CCEIP budget to be ratified by the Board of Supervisors.

With the approval of the Board of Supervisors, the County agrees to include the CCEIP contractual assessments in the Alternative Allocation Method, otherwise known as the “Teeter Plan”, for collection and allocation of property taxes.

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. Any changes to this Report that materially modify the Central Coast Energy Independence Program shall only be made after approval by the County Executive Officer and Board of Supervisors.

The Program Administrator may modify from time to time the Eligible Improvements List, Application, and Assessment Contract, attached hereto as Appendix A, Appendix D and Appendix E, respectively, as deemed necessary by the Program Administrator to effectuate the purposes of the Program.

Appendix A – Eligible Improvements

The Central Coast Energy Independence Program offers CCEIP funds for a number of equipment types, including energy efficiency measures, water conservation measures, solar systems, and other innovative, energy-saving and energy generation custom measures. 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.

As outlined in the CEC SEP Guidelines for Municipal Financing Programs, projects must meet the requirements of the Second and Third Tiers of the California Comprehensive Residential Building Retrofit Program.¹⁵ In addition, the permanent improvements outlined in the SEP Municipal and Commercial Building Targeted Measure Retrofit Program are eligible for financing.

The focus of these CEC requirements, a sample of which are listed below, is to capitalize on low risk, high return energy efficiency opportunities that are readily available to property owners. These measures will help facilitate a 10 percent reduction in building energy use through energy efficiency measures, prior to the installation of renewable energy generation, as called for in the SEP Guidelines.

All improvements must comply with or exceed the mandatory measures in the exiting Title 24 (T-24) energy standards. In all cases, the CCEIP allows applicants to propose custom measures that may not be included in these guidelines, but are consistent with intent of the State’s SEP Guidelines the Goals of the CCEIP.

Energy Efficiency and Solar Improvements

California Energy Commission SEP Requirements

A. Retrofits Using Single Trade Contractors¹⁶

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

¹⁵ As illustrated in the SEP Guidelines, adopted by the CEC on October 1, 2009, Second Tier measures require installation by a specialty licensed contractor (e.g., HVAC or Insulation Contractor) using field verification protocols specified by the Standards Reference Appendices. Third Tier measures require a comprehensive “whole-house” 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.

¹⁶ From the Final State Energy Program Guidelines, Page 35.

protocols have to be field verified in conformance with those protocols and follow all field verification procedures established by those Standards (HERS Phase I).

To compliment the CEC SEP Guidelines for residential buildings, the CCEIP provides services and 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 CCEIP 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 CCEIP will evolve with Energy Star and the market for energy-efficient technologies.

For all packaged and central air conditioning systems funded in this Program, the minimum efficiency levels shall be as required by the current minimum requirements set forth in List of Eligible Improvements. All other proposed efficiency measures will be considered in the Custom Measure Track. To date, the following Energy Star measures are eligible:

- 1) 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
- 2) Home EV charging installations
- 3) 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
 - Whole house fan systems
 - Duct insulation, meeting Energy Star guidelines
 - Duct sealing
- 4) Evaporative Coolers
 - Cooler must have a separate ducting system from air conditioning and heating ducting system
 - Maximum 5 gallons/ton-hour cooling
- 5) Natural gas storage water heater, EF of 0.67 or higher and Energy Star listed
- 6) Tankless water heater, EF of 0.82 or higher and Energy Star listed
- 7) Solar water heater systems, rated by Solar Rating Certification Council
- 8) Cool roof system as defined by the 2008 California Building Energy Efficiency Standards (also called the California Energy Code).
- 9) Attic and wall insulation, minimum R value 13 for walls and 19 for roof/floors

- 10) Reflective insulation or radiant barriers
- 11) Attic fans
- 12) Windows and glass doors, U value of 0.40 or less and solar heat gain coefficient of 0.40 or less
- 13) Window filming, in compliance with the NFRC glazing attachment ratings for solar heat gain and visible transmittance
- 14) Weather-stripping, following Energy Star guidelines
- 15) Home sealing, following Energy Star guidelines
- 16) Skylights, U Value of 0.60 or less and solar heat gain coefficient of 0.40 or less
- 17) Solar tubes
- 18) Additional building openings to provide addition natural light, windows and doors must meet the Energy Star rating U value of 0.40 or less
- 19) Lighting, Energy Star listed (no bulb, only retrofits)
- 20) Pool equipment; Pool circulating pumps (must be variable flow and/or multi-speed with controllers)

B. Whole-House Retrofits¹⁷

Per the CEC SEP 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 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

¹⁷ Ibid.

- 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

C. Municipal and Commercial Building Measures

Per the CEC SEP 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 private municipal and commercial buildings. Accordingly, the following the following measures are allowed for municipal and commercial 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) Task Ambient Desk Lamp
- 4) Classroom Lighting
- 5) Refrigerator Case LED Lighting with Occupancy Sensors
- 6) Lighting Controls
 - Wireless
 - Simplified Daylighting
- 7) Kitchen Exhaust Variable Air Volume Controls
- 8) HVAC Controls & Fault Detection
 - Wireless - constant volume to variable air volume system conversion
 - Fault Detection for Packaged Units and Air Handlers

Solar Equipment

Consistent with the CEC’s loading order, the installation of solar electric (photovoltaic) and other renewable energy sources is to occur after all energy efficiency improvements have been made to a building, and a 10 percent reduction in energy use can be demonstrated. 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.

Once this loading order threshold is met, funding is available for a wide range of solar equipment. CCEIP 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
 - Plug in stations
- 4) Emerging technologies – following the Custom Measures Track
 - Nano/thin film photovoltaic
 - High intensity (parabolic solar panels)

Water Conservation Measures

Water efficiency measures can be deployed through this Program, given a demonstrated cost-effective approach to energy savings and 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 toilets (average flush volume of 1.28 gallons or less)
- 2) Showerheads (1.75 gpm)
- 3) Bathroom aerators (1.5 gpm)
- 4) 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.
- 5) Demand initiated water softeners, Energy Star rated

- 6) Demand initiated or instantaneous hot water heaters
- 7) Hot water pipe insulation (minimum of R4)

B. Residential and Commercial Outdoor Water Conservation Measures

- 1) A weather-based irrigation controller, or Smart irrigation controller with a rain shut off device, uses weather data and site information such as plant type and sprinkler system output to adjust watering times and frequency. This provides more efficient watering, reduces water run-off and improves the health of your landscape.
- 2) Permanently installed rainwater cisterns.
- 3) Drip irrigation systems in gardens, planters and beds. Drip irrigation can save up to 70% in water usage due to more efficient delivery.
- 4) Matched precipitation sprinklers so that all spray patterns and radius deliver water evenly over the landscape area.
- 5) Custom Measure: Replace turf grass with native or low water use plants. Project must include soil amendment, mulch, drip irrigation and /or matched precipitation sprinklers and a Smart irrigation controller.

C. Commercial Water Conservation Measures

- 1) All applicable water conservation measures listed for “residential”
- 2) Pre-rinse spray valves (1.2gpm)
- 3) Urinals (pint)
- 4) Waterless urinals
- 5) Bathroom aerators (0.5 gpm)

Custom Measures

The Custom Measures Track is a process by which CCEIP 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 CCEIP Staff to determine eligibility and will be required in most cases to submit engineering plans and specifications. A CCEIP Custom Measure’s Track review/technical panel will meet to review the engineering documents and data for custom and emerging technology projects. CCEIP 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 CCEIP funding through the Custom Measure Track:

A. Energy Efficiency – Custom Measures

- 1) Alternative energy generation (other than photovoltaic)
- 2) Building energy management controls
- 3) HVAC duct zoning control systems
- 4) Irrigation pumps and controls
- 5) Lighting controls
- 6) 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 source
- 3) Deionization
- 4) Filter upgrades
- 5) Cooling condensate reuse
- 6) Foundation drain water
- 7) Cooling tower conductivity controllers

C. Residential and Commercial Recycled Water – Custom Measures

- 1) Outdoor irrigation

D. Energy Generation – Custom Measures

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

Appendix B – Summary of Financing Process

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

A. Project Scoping

The first step in the process is project scoping. For residential properties,¹⁸ water conservation and energy surveys are highly recommended but not required. By participating in CCEIP, property owners are making a financial investment; this decision should be made based on both the efficiency and the cost effectiveness of the improvements. Conducting a water and energy audit will help property owners assess water conservation, energy efficiency, and renewable energy opportunities for their property. Online surveys can be conducted through PG&E or SCE’s websites at <http://www.pge.com/myhome> and <http://www.sce.com>. In addition, residential property owners can obtain an onsite survey by hiring a Home Energy Rating System (“HERS”) rater, or equivalent. For more information, go to <http://www.energy.ca.gov/HERS/index.html>

For commercial properties, a PG&E or SCE onsite walkthrough energy audit is required to participate. Free walkthrough audits are generally available to help commercial property owners determine the most efficient route to maximize their investment.

Residential and commercial property owners should also check with their local water provider to see if free water conservation surveys are available. Costs incurred to conduct onsite audits or surveys may be included in your application for CCEIP Financing.

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.

Interested property owners can visit the CCEIP office (*include address when established*), visit the website (*include website when established*), or call the following number (*include number when established*).

B. Program Application

The property owner visits the CCEIP website or the CCEIP office to complete a CCEIP application form (the “Application”). The CCEIP staff can also provide an Application by mail, e-mail or fax upon

¹⁸ For CCEIP, “residential property” is defined as single-family properties with 1-to-4 residential units; “commercial property” is all other property.

request. The property owner submits the Application together with its required attachments. See Application for required attachments.

Applications will be processed once complete on first-come, first-served basis.

C. Title Check

CCEIP staff will verify property ownership by performing a title check. Applicants are responsible for the costs of the title check as follows:

- 1) Financing requests less than \$5000: \$65
- 2) Financing requests \$5000 to \$249,999: \$215
- 3) Financing requests \$250,000 and above require a full title search and title insurance: Contact CCEIP for estimate.

Title costs may be included in the CCEIP Financing request.

D. Application Review

During the Application Review process, CCEIP staff verifies that:

- 1) The Application is complete and accurate
- 2) The property owner(s) owns the Property without federal or state income tax liens, judgment liens or similar involuntary liens on the Property;
- 3) The Property is developed and within the County;
- 4) The Property is not exempt from secured property taxes;
- 5) The property owner is current on property taxes;
- 6) Property owner is current on mortgage(s) and, for commercial property, lender has given consent to CCEIP Financing;
- 7) The property owner has declared that the property owner(s) and the Property is/are not currently involved in a bankruptcy proceeding;
- 8) The property owner has executed all declarations required in the Application;
- 9) 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 adding CCEIP Improvements and new construction;
- 10) The cost estimate(s)/bid(s) is/are reasonable for the Improvements;
- 11) Improvement costs are reasonable to property value. As a guideline, proposed Improvements should not exceed 10 percent of assessed value and the property will maintain positive equity. If more costly Improvements are proposed, or where warranted, 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 (i.e. income verification);
- 12) All required documents have been submitted (including for commercial properties, onsite walkthrough energy audit report);

- 13) The requested assessment amount (including contingency) is equal to or greater than \$2,500 and is less than \$40,000; and
- 14) CCEIP funding is available. Within 15 business days of receipt of an application, CCEIP Staff notifies the property owner if the application is incomplete, approved, denied or requires additional approval.
- 15) 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. CCEIP Staff will process resubmitted applications on a first-come, first-served basis based upon the new receipt date.
- 16) Approved. An application shall be approved if CCEIP Staff have verified all of the items in steps (1) through (14).
- 17) Denied. An application shall be deemed denied if CCEIP Staff cannot verify any of the items in steps (1) through (14). CCEIP 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 CCEIP 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 because the cost estimate(s) is/are not deemed reasonable by CCEIP Staff, a resubmitted application must be accompanied by additional documentation of cost estimates as determined in CCEIP Staff's discretion, including, but not limited to, cost estimates provided by one or more additional contractors. The property owner will not be required to select the low bid; however, CCEIP Staff may limit the maximum assessment amount to an amount deemed reasonable by the Program Administrator.
 - c. If an application is denied, the applicant may appeal the decision to the Program Administrator.
- 18) Requires Additional Approval. Applications for CCEIP Financing between \$40,000 and \$250,000 require approval of the Program Administrator. The property owner will be notified that the application is complete and has been forwarded to the Program Administrator for approval. Applications for CCEIP Financing of \$250,000 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.
- 19) 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"), CCEIP Staff reserve the right to require the appropriate engineering documentation and energy studies showing the energy savings and/or energy generation capabilities of the proposed project. CCEIP Staff may also charge an additional administrative fee for this technical review to be discussed with the property owner before proceeding.

E. Permit and Utility Bills

After receiving notice of Application approval, 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 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 CCEIP can execute an Assessment Contract and reserve CCEIP Financing for a project.

In addition, 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 improvements financed through the CCEIP, and two years following the installation of improvements. This requirement is necessary to comply with CEC SEP Guidelines requiring that programs document and quantify the energy savings. Notably, utility bills are just one strategy that can be used to ensure lowered energy use. Applicants are encouraged to propose other measurement strategies.

F. Assessment Contract and Reservation

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 enter into a contractual assessment agreement (the “Assessment Contract”) with the property owner. This will assure the property owner that the CCEIP Financing has been approved and that funds are reserved for the property owner’s approved project.

G. Assessment Lien.

Upon execution of the Assessment Contract, CCEIP records an assessment lien against the Property in the office of the Program Administrator, Clerk of the Board and the County Recorder’s office. The lien will be for the full amount of the assessment on the property that secures the assessment. If funds are disbursed to property owners before the first business day in July, the assessment will appear on the next tax bill. For disbursements after that date, the assessment will not appear on the tax bill until the following tax year, but interest will accrue on the outstanding amount.

H. Installation of Improvements.

Property owner enters into a contractual arrangement directly with a contractor for Improvements unless the property owner is self-installing the Improvements. All work is subject to the appropriate jurisdiction’s (county, city, town) permitting and inspections and all other applicable federal state and local laws and regulations. All work must be completed, including the final inspection, within 90 days of execution of the Assessment Contract. The property owner and Program Administrator may agree to an extension of this completion date for good cause.

I. Progress Payments/Multiple Disbursements.

If the maximum assessment amount is \$60,000 or greater, the property owner may request in writing that CCEIP make a progress payment prior to the completion of the work. Progress payments will be subject to a \$150 onsite inspection fee per disbursement and interest will accrue on the entire assessment amount at the time of the first disbursement. Progress payment requests must be filed with CCEIP at least five business days before the end of the month for payment to be

made on the first business day of the next month. The following conditions must also have been met before disbursement is made:

- 1) At least 75 percent of the required materials have been delivered to the property and have been reasonably secured as confirmed by an onsite inspection. CCEIP Staff has the discretion to make its own determination with respect to whether this condition has been satisfied; and
- 2) The requested progress payment does not exceed 50 percent of the maximum assessment amount.

J. Final Inspections & Disbursement of CCEIP 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 CCEIP that all work has been completed and submits final documentation: finalized permit; invoices showing all costs, less rebate amounts. The Program Administrator will oversee regular audits/inspections to ensure the quality of work performed by contractors/property owners.

Checks will be mailed at the beginning of each month, provided that final documentation has been filed with CCEIP 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 accrues as of the date of disbursement.

Appendix C – Map of Area

Forthcoming – Pursuant to work with Bond Counsel

Appendix D – Program Application

Forthcoming – Pursuant to work with Bond Counsel

Appendix E – Assessment Contract

Forthcoming – Pursuant to work with Bond Counsel