



ATTACHMENT A

March 26, 2013

Sonoma County Energy Independence Program Activity Update

What's New: The Sonoma County Energy Independence Program (Program or S.C.E.I.P.) celebrates its fourth year of operation today! Since the Program's launch on March 24, 2009, it has evolved from a Property Assessed Clean Energy (P.A.C.E.) funding resource to a clearinghouse of information, services, programs and funds for energy efficiency, water conservation and renewable generation information for the public and contractor community, including shared services with other incorporated cities and an array of funding resources in addition to P.A.C.E. What follows is an update of all SCEIP activities.

The expansion of the program as noted above has been driven by community interests and the desire to engage with and collaborate in efforts that maximize the achievement of the climate change goals championed by your Board. To that end and to better facilitate the efforts of all program stakeholders, the Program office will move to a new home at La Plaza A in April 2013. This move will co-locate S.C.E.I.P. with the rest of the Energy and Sustainability Division in the General Services Department, improve and expedite access to the support services located at the County Center and utilized by program participants and provide a central location for program customers and partners.

Property Assessed Clean Energy Financing: P.A.C.E. is a financing option that authorizes a local government to provide up-front funding to eligible property owners to finance the installation of energy efficiency and water conservation improvements and renewable energy systems on their property. This funding is paid back to the county, with interest, over time on the owner's property tax bill. The financing is 100% voluntary. On March 24, 2009, the Board approved its participation in P.A.C.E. financing, thereby launching the SCEIP. This Program established the first countywide P.A.C.E. financing option in the State of California and continues to provide both residential and non-residential P.A.C.E. financing.

Since March 2009, S.C.E.I.P. has received 2,640 P.A.C.E. financing applications for \$96 million in renewable energy, energy efficiency and water conservation improvements. Of that \$96 million in requested funding, more than \$66 million has been approved, and over \$61 million has been disbursed to projects that are completed. Approximately \$9.6 million of the assessments have been fully paid off, which has provided a like amount to be made available for additional projects. In addition, the \$61million invested locally has energized the creation of an active energy efficiency and renewable energy construction market; 86% of P.A.C.E.-financed projects have been installed by local contractors. This has led to the creation of approximately 77 local jobs within the related industry sectors that are engaged with program. The Program has linked, outreached and leveraged with other local and State-funded energy efficiency programs, providing our community with a central resource to pursue and facilitate the installation of energy efficiency, water conservation and renewable energy upgrades. Despite impediments imposed by the Federal Housing Finance Agency, property owners continue to utilize P.A.C.E. financing. The program currently is serving 1841 participating property owners, completing over 1800 energy efficiency projects and 1100 solar installations generating 8.3 kilowatts of energy



annually. This Program has helped to make Sonoma County one of the regions with the highest kilowatt-hours per capita production rates in the country.

Education and Outreach: Program participation levels are influenced by outreach, education and marketing efforts. The program uses a holistic, multi-component and ongoing outreach program to maximize program awareness, understanding and participation. In the last six months, Program staff have tabled 18 events and delivered 10 presentations to a mix of local, state and national groups. This includes participation by the Energy Independence Program Administrator, Energy Independence Program Manager, Energy and Sustainability Division Manager, General Services Department Manager and Deputy County Counsel at the California Statewide P.A.C.E. conference held recently in Los Angeles, CA. Additional education and outreach channels used by the Program include electronic newsletters, radio and television advertising through Energy Upgrade California, and participation in local trade organization meetings. Also, S.C.E.I.P. offers resources and training for contractors, provides a free building performance tool lending library, as well as a monthly contractor forum to share ideas, Program updates and news with the contractor community.

In addition to face-to-face and regular media outreach, all of the resources and information provided by the Program, including access to rebates and incentives, a list of participating contractors and their certifications, and an on-line application for financing may be found on the recently redesigned Program web site, www.sonomacountyenergy.org. This also includes a newly designed contractor resource portal and tool lending library database. Finally, S.C.E.I.P. employs Facebook, LinkedIn and YouTube social media as additional information delivery channels. In combination these popular social network communication venues have resulted in an average of over 100 unique visitors per day to the Program's information site.

Shared Services: In June 2012 through General Service Department agreements, the Program entered into two shared service agreements, one with the City of Healdsburg to administer its electric utility residential rebate program and provide home energy assessments, and the other with the Town of Windsor as the Certification Agent administering the Town's water utility on-bill financing program for water conservation and energy efficiency improvements. Both agreements were pursued to further expand the central resource service model being used to maximize customer engagements and facilitate property owner interests in implementing improvements through the S.C.E.I.P. To date there have been over 76 Windsor homes and 149 multi-family units participating in the on-bill financing program. The S.C.E.I.P./Windsor PAYS® program is serving as a model for the nine-county Bay Area Regional Energy Network with the intent that it will be replicated within the framework of the Bay Ren initiative. In Healdsburg, Program staff is working to increase the number of residential energy efficiency upgrades by creating outreach materials that educate Healdsburg residents about the opportunity to compound their savings by benefitting from both PG&E and Healdsburg Electric rebates. Since June, nine Healdsburg homeowners have taken advantage of the free energy analysis walk-through service provided by S.C.E.I.P. staff.

If Sonoma Clean Power is realized, it is anticipated that the local power entity will have energy efficiency /retrofit component within its program structure. It is important to note that all the energy efficiency and retro-fit programs and services delivered by S.C.E.I.P. could serve as a platform to launch locally controlled efforts within the Community



Choice Aggregate (C.C.A.) structure. Having these programs active and in-place under S.C.E.I.P. can only facilitate the County's interest to establish a local power supply entity that owns and manages the procurement of renewable power and also directs and manages the implementation of supporting energy efficiency initiatives.

Other Partnerships: In addition, the Program is partnering with the Sonoma County Energy Watch program and the Sonoma County Regional Climate Protection Authority to enhance and streamline education and outreach for the state's Energy Upgrade California™ program, which is focused on encouraging homeowners to achieve deep energy savings by making multiple, systematic and holistic improvements to their properties. With additional funding from PG&E in the last quarter of 2012, the partnership was able to enhance its outreach efforts through a new campaign with increased digital advertising, video testimonials, mall display, door hangers and a [redesigned website](#) that is scheduled for launch the final week in March, which we invite your Board to visit.

Other Initiatives:

- **Financing Marketplace:** The Sonoma County Treasury and the Sonoma County Water Agency together have authorized a maximum of \$60 Million to invest in S.C.E.I.P. contractual assessment revenue bonds. Though early pay offs of some assessments releases funds for new program participants, it is anticipated that desired increases in Program participation will eventually lead to the threshold being approached. Currently, only \$13 Million of this originally authorized \$60 Million remains available for project funding. In recognition of this, Program staff is investigating opportunities to expand the options that could be used to secure funds and increase Program funding capacity. One area of interest being examined is collaboration and partnership with private P.A.C.E program providers. The P.A.C.E. program initiative and funding landscape continues to expand driven by growing number of programs being implemented through private-public partnerships throughout the State. Such programs continue to evolve and they have one key common component - maximize the number of options provided to property owners to secure funding while utilizing underwriting criteria that safeguard the public entities participation. The industry has termed these efforts as the creation of a P.A.C.E. finance marketplace and the City of San Diego is creating a model that local S.C.E.I.P. staff is assessing to determine if it could serve as a template for Sonoma County. In an effort to diversify the program's financing options, staff continues to explore alternative mechanisms and we are actively dialoguing with new potential providers.
- **Community Advisory Group:** Recognizing that S.C.E.I.P. has evolved into a central, multi-faceted resource for the community, Program staff sees value in creating a platform that provides community stakeholders with means to offer input and comment on Program efforts and direction. To that end staff has crafted the creation of a Community Advisory Group (Group). This Group will consist of stakeholders linked to aspects of the Program, to include contractors and suppliers, financing, technical assessment and community advocates. The Group will provide input on areas where services or processes can be enhanced, work with the Program Administrator and others to address program challenges, provide feedback on new proposals or programs developed by Energy Independence staff to further enhance the Program.



The Program has established itself as an effective single entry point of contact for energy efficiency, water conservation and renewable energy generation information and resources, and continues to evolve in this role. Using an Advisory entity can only serve to strengthen the value of all efforts to improve the Program

Federal Housing Finance Authority Litigation/Rulemaking Status Update

Background: The Federal Housing Finance Agency (F.H.F.A.), which oversees Fannie Mae and Freddie Mac, has been hostile to P.A.C.E. because it believes it undermines lenders' security in mortgaged properties. On July 6, 2010 the F.H.F.A. issued a statement determining that "P.A.C.E. loans...present significant risk to lenders and secondary market entities" and called for all state and local governments to pause their programs. On August 31, 2010, Fannie Mae and Freddie Mac issued additional instructions to lenders that they "will not purchase mortgage loans secured by properties with an outstanding PACE obligation."

The County of Sonoma, with the California Attorney General, City of Palm Desert, County of Placer, and the Sierra Club, filed suits challenging F.H.F.A.'s issuance of the statement without any environmental review and without notice to the public and an opportunity for comment. The federal district court agreed the F.H.F.A. must follow rulemaking procedures, and ordered it to begin proceedings. The strategy was to illustrate the non-transparent, self-focus and draconian approach followed by the FHFA to issues its ruling and in doing secure the public's and related industry's engagement to secure a more favorable position.

As ordered by the Court, F.H.F.A. has accepted two rounds of comments. The County has submitted extensive comments, including data from its very successful program, in both rounds. F.H.F.A.'s proposed rule is draconian: (1) F.H.F.A. directs Fannie Mae and Freddie Mac to ensure their standard documents allow them to find property owners who join a P.A.C.E. program in immediate default on their loan; and (2) directs them not to purchase any loans that already have P.A.C.E. assessments on the property. F.H.F.A. was required by law to propose alternatives, and one goal of comments was to convince F.H.F.A. that the alternatives, which would allow residential programs to move forward with some restrictions, were reasonable.

Update: F.H.F.A. claims it is evaluating the extensive data submitted as comments, and has requested that its deadline to develop a final rule be extended from May 14, 2013, to September 16, 2013. The Court granted this request. Meanwhile, F.H.F.A. has also appealed the district court's order to the Ninth Circuit Court of Appeals. On Tuesday, March 19, the 9th Circuit Court of Appeals ruled that the courts have no jurisdiction to review decisions made by FHFA. Although we did not prevail, we do not know at this point if FHFA will abandon their rulemaking proceeding or will choose to continue voluntarily. With the lawsuit, we have moved the discussion substantially forward by creating a voluminous public record documenting the positive aspects of PACE programs. We can hope that FHFA will seriously review this information and consider modifying its position.