



Sonoma County Energy Independence Program (SCEIP)

Frequently Asked Questions

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GENERAL PROGRAM INFORMATION

Q: What is SCEIP?

A: The Sonoma County Energy Independence Program (SCEIP) offers property owners the opportunity to finance energy efficient property improvements through the property tax system. It is an innovative new effort to improve energy efficiency, water conservation and renewable energy generation, thereby reducing greenhouse gas emissions.

Q: How does SCEIP work?

A: Property owners apply for the program, describing the energy and/or water saving improvement(s) they wish to make. If approved, the county and the property owner enter into an assessment contract and implementation agreement, through which the county pays the up-front cost of the improvements. The county places an assessment lien on the property, and the property owner repays the county for the improvements as an assessment on his/her property tax bill over a 5, 10, or 20 year period.

Q: Who can participate in SCEIP?

A: Any residential, commercial, or industrial property owner in Sonoma County may participate in the program ,provided the following requirements are satisfied:

- Applicant(s) is/are legal owner of the property described in the Application (the "Property").
- Property is developed and located within Sonoma County. Mobile homes that are not affixed to real property and subject to secured property tax are not eligible..
- Property Owner is current on property taxes.
- Property Owner is current on mortgage(s)¹. For commercial property,² lender has given consent to SCEIP Financing;
- Property Owner is not in bankruptcy and the property is not an asset in a bankruptcy³.

¹ If property is subject to loan modification because of default or delinquency, additional restrictions apply. See program report for details.

² For SCEIP, "residential property" is defined as single-family properties with 1-to-4 residential units; "commercial property" is all other property.

³ If property owner has been in bankruptcy in the past three years, additional requirements apply. See program report for details.

Q: How do I apply for SCEIP?

A: Applications may be obtained at the SCEIP storefront at 404 Aviation Blvd. in Santa Rosa or online at www.sonomacountyenergy.org.

Q: Can I use SCEIP for my business property, or just my house?

A: Yes. SCEIP is intended for improvements on residential, commercial, and industrial properties. You do, however, have to be the property owner, not a tenant, and different requirements are applicable to business property. You can review these on line at www.sonomacountyenergy.org.

Q: What if the property owner is a trust?

A: Property owners must supply documentation that the party(ies) signing the documents are authorized to sign legal documents on behalf of and bind the trust.

Q: The improvement I am planning requires a building permit. Can I get that from SCEIP too?

A: No. You must obtain any needed permits from your local authority.

Q: I am a licensed professional contractor. Can I do my own SCEIP work on my property?

A: Licensed, professional contractors working on their own property may request SCEIP financing for materials, cost of their work crew's labor and overhead but not for their own time. The labor and time of the contractor is not included.

Q: If a city adopts the Sonoma County program, can that city still participate in another AB811 program?

A: Yes

Q: What action defines the start of my project, (which would preclude my participation in SCEIP)?

A: A project is defined as "started" and not available for participation in the program when labor associated with the construction or installation of improvements has occurred on-site. Actions **not** defined as "starting" include: audits, estimates, being 'in contract' with a vendor, including the delivery of materials. SCEIP is not responsible for any expenses incurred if your application is not approved for some reason.

Q: Can I apply to SCEIP for work that is already completed?

A: No, AB 811 does not allow us to fund improvements that have already been installed. It also prohibits using the program for refinancing.

A property owner that has already pulled a permit and/or has a bid or signed contract for a project may apply to the program as long as no work has been started and no other funding has already been provided.

PROGRAM FINANCE INFORMATION

Q: How much financing is available to me? What are the terms?

A: The minimum advance from SCEIP is \$2,500. Amounts from \$2,500 to \$5,000 will be set for repayment in 5 or 10 years. Projects over \$5,000 may be repaid over a term of either 10 or 20 years, at the property owner's option. Projects of \$60,000 up to \$500,000 will require approval by the Program Administrator. Projects valued at \$500,000 and above will require specific approval by the Board of Supervisors.

Q: What is the interest rate being charged to participants?

A: SCEIP anticipates offering competitive interest rates that are at, or below, the fixed rates on home equity loans that participants could obtain from financial institutions. An exact interest rate will be determined at the time the assessment contract and implementation agreement are signed. The interest rate will be fixed at that point and will not go up, although the county will reduce the rate if it is able to do so when it negotiates long term financing for the program. The current interest rate is 7%.

Q: Why should I participate in SCEIP, as opposed to a regular home equity loan?

A: SCEIP financing has several advantages that you may want to consider:

- Easy and simple to qualify
- Financing is not based on the owner's annual income
- Assessments do not appear on your credit report
- Assessments are paid semi-annually along with your property taxes
- Assessments are passed to subsequent property owners, so you don't have to pay them off if you sell.

For financial reporting, these transactions would be treated the same as other assessments on your property.

Q: Is there an early payment penalty? If so, how much is it?

A: SCEIP financing is initially funded through an investment by the Sonoma County Treasury, and there is no penalty. However, this investment will be converted to long-term bonds, which could include an early payment penalty/premium of up to 3%, based on current conditions. Please note that while you can pay your assessment off completely, SCEIP cannot accept partial prepayments.

Q: How long does it take to receive payment once my project is finished?

A: Between 5 and 35 days. SCEIP processes checks on the first county business day of every month. To ensure timely payment, property owners (and their contractors) should submit all necessary paperwork regarding the completion of the work to SCEIP at least 5 county business days before the end of the month.

Q: Is the interest paid to SCEIP “simple interest”?

A: Yes; however, because taxes are only paid twice a year, depending on when your project is funded, there may be a component of interest, required for a bond payment before you pay your taxes, that will be added to your principal ("capitalized interest"). Simple interest is then charged on this new principal amount for the duration of the assessment.

Q: Can I include energy and water evaluation/audit costs in my SCEIP application even if they are paid beforehand?

A: Yes

PROGRAM TAX INFORMATION

Q: What about any rebates or tax credits associated with my improvements?

A: *Rebates* or other incentives that are received at the time of project completion or shortly thereafter (by either the property owner or the contractor) so as to reduce the costs of a project at the outset will not be included in the financing amount. For example, if the total cost of solar project is \$50,000 and the owner is entitled to an immediate rebate of \$10,000, SCEIP financing will be limited to \$40,000. However, rebates that are contingent on performance or 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, do not affect the amount of SCEIP financing.

Tax credits that may eventually be available to a property owner and would vary based on applicable tax brackets are not taken into account in determining the SCEIP financing amount.

Q: When does the County place the assessment lien on my property?

A: The lien is placed at the time the assessment contract and implementation agreement is signed.

Q: If the improvements increase my property value, will my property taxes go up?

A: This can be a complicated issue, but the short answer is generally no. Certain projects are exempt. Applicants are encouraged to call the Sonoma County Assessor's Office at 707-565-1888 for clarification.

Q: My mortgage company pays my property taxes. Will they take care of this, too?

A: Yes, you should advise your lender of the assessment on the property, so that the proper amount can be set aside for both your taxes and the SCEIP assessment. It is a good idea to check with your lender before you apply to SCEIP, as some mortgages might prohibit participation without your lender's consent.

Q: What happens if I can't make the payments?

A: Failure to pay the SCEIP assessment would be just like failing to pay your property taxes. Penalties and interest charges would apply until the assessment is paid. The county would, ultimately, have the right to foreclose on your property.

Q: What happens if I sell my property before the assessment is paid off?

A: Because SCEIP financing is an assessment against the property and not a personal lien, the assessment will stay with the property until it is paid off. The assessment will appear on any title search of your property. State law requires disclosure of the assessment in any negotiation about the sale of your property.

Q: Are my tax dollars being used to improve someone else's property?

A: No. SCEIP participants will repay Sonoma County's treasury investment, with interest. SCEIP will, in turn, charge participants an interest rate and administrative fees that ensure the program's costs are recovered. Therefore, the program will be revenue neutral to Sonoma County.

Q: Is my SCEIP assessment tax deductible?

A: We are not qualified to give any tax advice. We recommend you consult with your tax professional.

ELIGIBLE IMPROVEMENTS

Q: What improvements can I finance with SCEIP?

A: Improvements must be permanently affixed to the property. In general, the type of improvements contemplated by SCEIP would include:

- High efficiency windows
- Solar and/or tankless water heaters
- Solar panels
- Upgraded wall and roof insulation
- “Smart” irrigation systems
- High efficiency HVAC systems
- For a more comprehensive list, see Appendix “A” in the [Program Report](#).

Owners may also propose improvements that are not on the list as “custom” applications. These will be reviewed on a case-by-case basis, with the ultimate goal of increasing energy and water efficiency.

None of these measures would typically cause an increase in property tax assessment of the property.

Q: What if my improvements are a mixture of repairs and energy improvements?

A: State law limits the SCEIP program to energy and water efficiency **improvements**. Repairs and/or new construction outside the improvements do not qualify. Therefore, if certain repairs need to be done before, during, or after the improvement project takes place, you must bear the cost of those repairs outside of the SCEIP assessment.

An example would be dry rot discovered during the installation of energy efficient windows. The cost of the new windows and their installation would be covered, but the repair of the dry rot would not. Program staff can assist in clarifying these types of issues.

Q: I want to remove sheetrock to install better wall insulation. Will SCEIP cover the removal, replacement and painting work, or just the insulation?

A: Maybe. SCEIP staff will need to review these kinds of issues on a case-by-case basis evaluating the age of building, framing, and wall materials such as the plaster, and existing insulation.

Q: If I am building an addition onto my house and doing energy upgrades at the same time, can I still apply for SCEIP financing?

A: The program cannot finance the construction of the new addition. You may, however, apply to SCEIP for the energy upgrade portion. You should obtain separate bids for the energy improvements and the new construction. Energy improvements eligible under the program could include solar for the entire structure, upgrades to windows and insulation in the existing structure, and system wide improvements to HVAC and water heating.

Q: Is artificial turf or “xeriscaping” covered by SCEIP?

A: No, but high efficiency irrigation systems are covered.

Q: Are graywater systems allowed?

A: Some local jurisdictions permit graywater systems. Please check with your local jurisdiction before applying. Your application would then be reviewed by Program staff to insure that it met other Program criteria (i.e., saves water).

Q: Can SCEIP be used to finance solar leases or PPA agreements?

A: Financing is between the property owner and the County, not a third party such as a Power Purchase Agreement (PPA) company.