

# *Local Residential Energy Efficiency Financing*



**emPower**  
Santa Barbara County

# About Santa Barbara County

- 3,800 sq miles, 426,000 people
- 8 cities, 1 tribe, 1 municipal utility, 3 IOUs
- Temperate climate
- Building stock
  - 75,000 single family homes
  - Most expensive real estate in CA
  - Most lenient climate zone in CA
  - 80% homes built over 25 years ago
- Socio-economic and political splits
- Strong environmental tradition



# emPower Background



## What we do:

Help the community transform its existing inefficient buildings

## Why we do it:

To stimulate the economy and save energy

## How we do it:

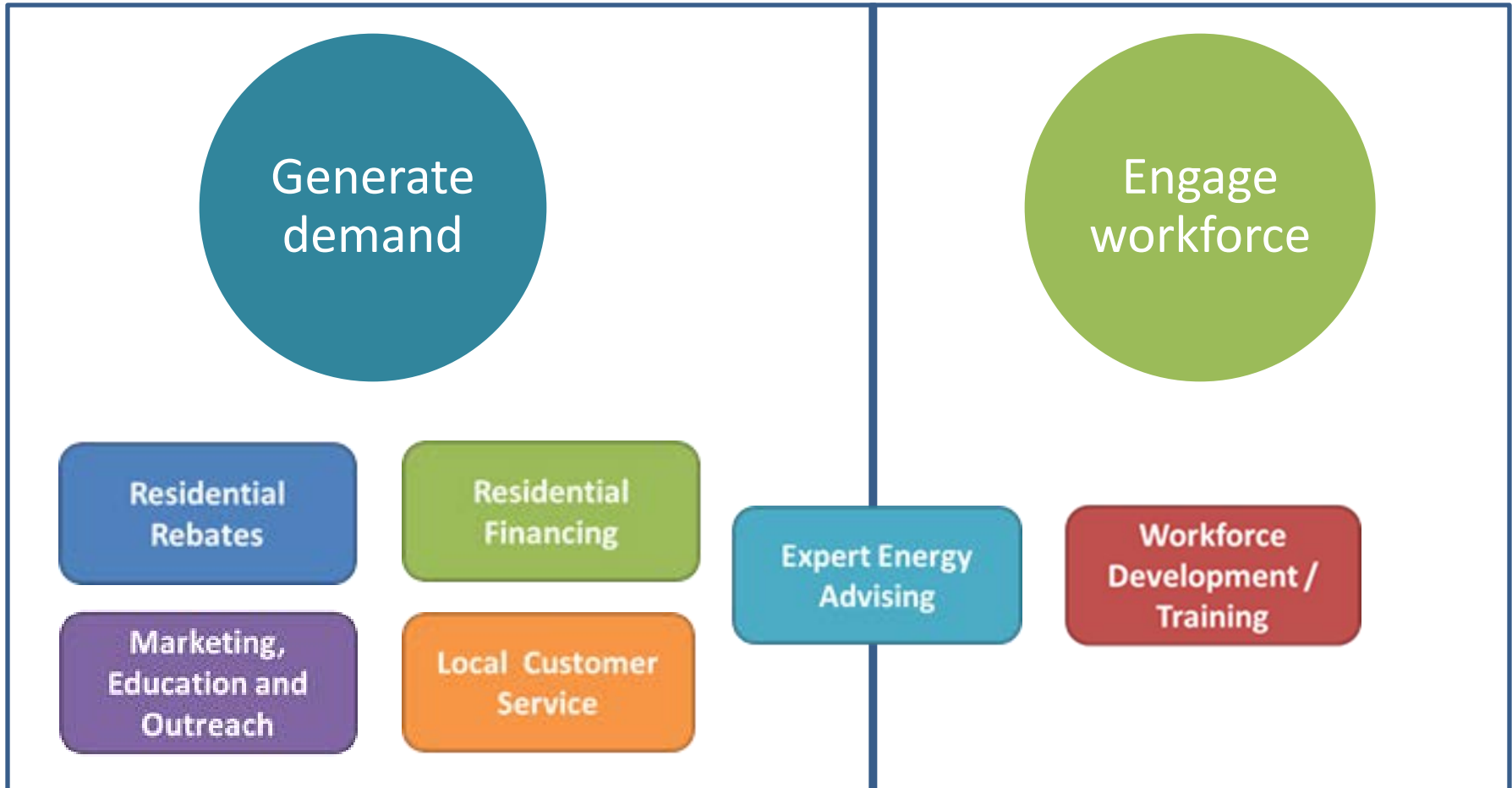
By developing, leveraging and promoting voluntary market solutions that help property owners and building professionals overcome obstacles

## Our long term vision:

A sustainable local building performance market



# Supporting Market Transformation



# Evolution of emPower Financing

Residential  
Financing

- For many, rebates aren't enough to achieve affordability
- To enable action, loans must be affordable, accessible and convenient
- **emPower 1.0:** Property Assessed Clean Energy (PACE) halted
- **emPower 2.0:** Loan Loss Reserve (LLR) Credit Enhancement
  - Program redesign/reprogram ARRA dollars
  - Technical assistance/research/lender outreach
  - Competitive solicitation – Selected 2 Credit Unions
  - Agreement negotiation (encourage creativity)
  - Streamlined process/workflows with utility rebate program (Energy Upgrade)
  - Marketing and contractor engagement
  - Launch late 2011

# Negotiating LLR Agreement and "WIFMs"

- Many actors, many interests:
  - Lenders
  - Funding Agencies
  - Elected Officials
  - County staff
  - Contractors
  - Homeowners



# The Art of the Details

- Process Details

- Application
- Closing
- Reporting and privacy

Enter your information here to calculate your monthly payments:

Total Project Cost	\$ <input type="text" value="15000"/>	Interest Rate	<input type="text" value="5.9"/> %
Rebates & Cash Down	\$ <input type="text" value="2000"/>	Loan Term	<input type="text" value="180"/> months

**CALCULATE**

**Your Results**

Amount Financed	\$13,000.00
Estimated Monthly Payment	\$109.00

- LA vs SB County agreements demonstrate negotiation trade-offs
- DOE guidance built by technical assistance reflected what it would take to get lenders and local governments to commit
  - “Spent”

# emPower Home Upgrade Loan Attributes

Attributes	emPower loan	HELOC	ReFi	Other unsecured
Loan type	Unsecured	Secured	Secured	Unsecured
Collateral	None required	Home	Home	None required
Closing costs	No	Maybe	Yes	No
Equity required	No	Yes	Yes	No
Prepayment penalties	No	No	Maybe	Maybe
Loan maximum	\$25,000	80% Loan to Value	90% Loan to Value	\$5-15,000
Term	15 years	Up to 30 years	5-30 years	5 or less
Starting rate	5.90%	Variable (Start around 5%)	3-6%	13-30%
Approval time	1 day or less	2 weeks	2 weeks	1 day or less
Minimum FICO	590	700	varies	varies



# Progress and Outcomes: 17 months

## ✓ Widespread homeowner awareness

- Over 3,000 interested individuals

## ✓ Homes becoming more efficient

- Over 350 leads for participating contractors
- Home energy work in 202 homes



## ✓ Increased economic activity

- \$1.7 in project activity = \$3.4M multiplier (IMPLAN)
- Contractors report new divisions, jobs, demand, lower marketing costs
- Over \$600,000 in loan activity (\$16.5K average loan, income/FICO vary)

## ✓ Lasting impacts for contracting market

- Over 400 training attendees, 700% increase in building performance certs
- Over 20 participating companies receiving ongoing support and mentorship
- Using efficiency principles in new construction and remodels

# Success Story: Rosenthal Home



## UPGRADE MEASURES

- Whole house air sealing
- Attic insulation to R38
- Energy efficient furnace
- New sealed and insulated duct system
- Energy efficient hot water heater
- Energy efficient windows
- Insulation of hot water pipes

## UPGRADE RESULTS

- Energy improvement: 56%
- Total project cost: \$30,521
- Total rebates: \$4,000
- Project cost after rebates: \$26,521
- Avg monthly utility savings: \$91
- Federal Tax Credit: \$500

*“The emPower program made it possible for us to buy the home by providing a way to pay for the needed improvements. It was so easy. Our contractor took care of everything.”*

-Kathy Rosenthal, Solvang Homeowner

# Lessons Learned

- Demand for upgrades vs demand for financing
- Solve homeowners problem, don't sell loan, or energy efficiency
- Build ongoing relationships with lenders and contractors
- Current volume doesn't yet necessitate secondary market
- Buy downs could help, but are expensive
- Contractor cash flow is still a challenge
- Program requirements can hinder demand:
  - Perfect measurement/data
  - Limited eligible measures
- Incremental approach to retrofits could lend itself well to innovative savings program

# The Future – emPower 3.0

- State recognizes innovative program design, offered funds to continue program
- Funding opportunities are growing for financing and regional energy programs
- As Board directed, funding contracts identified to continue program and explore expansion with San Luis Obispo and Ventura Counties, and possibly serve multi-family



# emPower 3.0 Implementation Plan

- **Same program, bigger boundary**
  - 315,000 single family homes in region
- **Advantages:**
  - Attract more participation/local work
  - Shared workforce, media market and lender boundaries
  - Leverage program infrastructure
  - Consistency reduces confusion
  - Position program for future funding



New emPower Funding	Offered
ARRA CEC #2	\$1,550,000
So Cal Gas 2013-14	\$3,700,000
Total Grant Funding	\$5,250,000
General Fund	-
<b>Total emPower Funding</b>	<b>\$ 5,250,000</b>

# CA Transition to Ratepayer Dollars

- PUC May 2012 decision provided major support for local government programs, and committed to continuing ARRA energy efficiency initiatives
- Santa Barbara County finalizing contract under 3 IOUs
- Regional Energy Networks in LA and Bay Area
  - Direct relationship with PUC
  - Financing, outreach, workforce, etc
- PUC also exploring on-bill, a centralized LLR hub, subordinated debt, and WHEEL

# Conclusions

- Financing alone doesn't drive retrofits
- Local/regional programs are well positioned
- Competition is occurring but still need subsidy to keep lenders, contractors and consumers engaged
- Different LLR rules have major impact on existing LLR programs

# Rebates/Eligibility

Residential  
Rebates

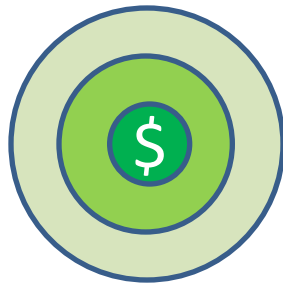
Basic	Advanced	Flex	Solar Water
<ul style="list-style-type: none"><li>• Set measures approach</li><li>• Based on cost effectiveness</li><li>• 10% energy savings</li><li>• \$1,000 incentive</li></ul>	<ul style="list-style-type: none"><li>• Home Performance Approach</li><li>• 10-45% energy savings</li><li>• \$1,000-4,500 incentives</li></ul>	<ul style="list-style-type: none"><li>• Pick and choose upgrades that equal 100 pts.</li><li>• At least 10% energy savings</li><li>• \$1,000 incentive</li></ul>	<ul style="list-style-type: none"><li>• Offsets gas water heater use</li><li>• CSI-Thermal enrolled eligible projects</li><li>• Up to \$2,719 in incentives</li></ul>

**\*Add Solar Electric to any of these packages**

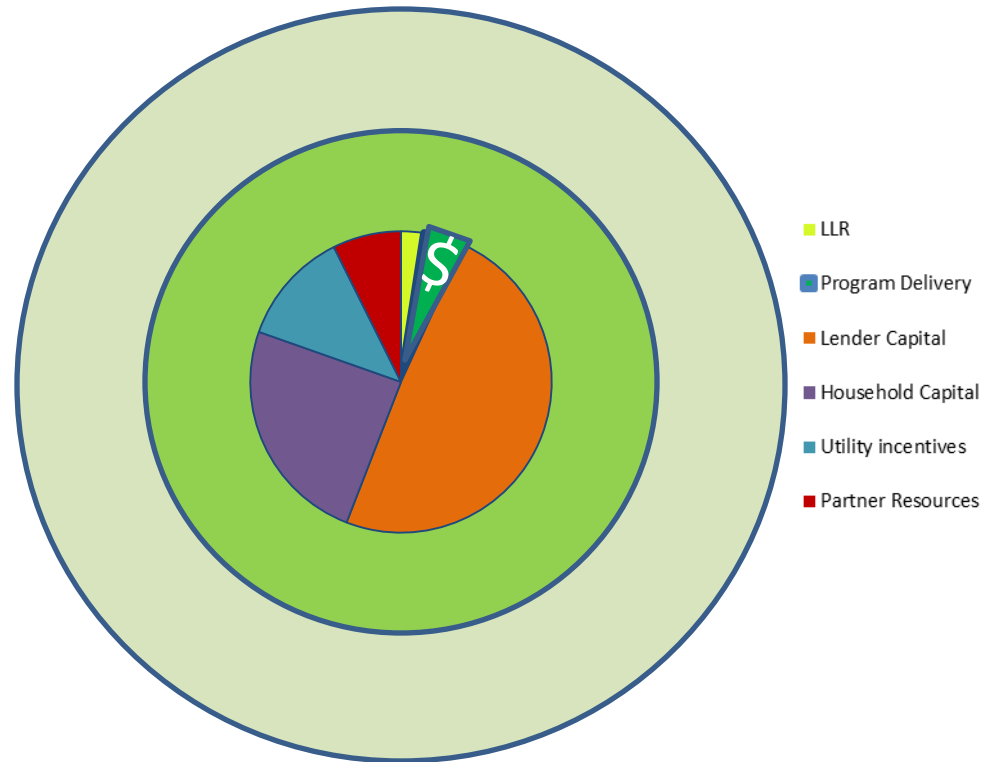


# emPower Leveraging Approach

Typical Grant Spending



Turning Minor Federal Grant Public Investment into Major Local Economic Value



**County GF investment = \$0**