

As approved by the Governing Board on Tuesday, November 7, 2023.

**CALIFORNIA EARTHQUAKE AUTHORITY
CALIFORNIA RESIDENTIAL MITIGATION PROGRAM
GOVERNING BOARD TELECONFERENCE MEETING
MINUTES**

**Tuesday, August 15, 2023
1:00 p.m.**

Location: California Earthquake Authority
801 K Street
Suite 1000, 10th Floor
Sacramento, CA 95814

Members of the California Residential Mitigation Program (CRMP) Governing Board in attendance:

Lori Nezhura, Vice Chair Appointee, Deputy Director, California Office of Emergency Services (Cal OES)
Jennifer Bollinger, Chief Counsel, Cal OES
George Sittner, CEA Chief Insurance and Claims Officer
Tom Welsh, CEA Appointee, CRMP Governing Board

Members of the CRMP Staff in attendance:

Janiele Maffei, Executive Director, CRMP
Mark Grissom, Program Manager, CRMP
Jennifer Hogan, Managing Director, CRMP
Benjamin Kirwan, Treasurer, CRMP
Seth Merewitz, Counsel, CRMP
D'Anne Ousley, Communications Specialist, CRMP
Sheris Tamblyn, Executive Assistant, CRMP
Suman Tatapudy, Secretary, CRMP
Maura White, Program Analyst, CRMP

Also Present:

Mike Dayton, California Assembly Emergency Management Committee
Colin Feguer, Plante Moran, PLLC
Michelle Goss, Plante Moran, PLLC
Laurie Johnson, past Chair, CRMP Governing Board
Evan Reis, U.S. Resiliency Council

1. Call to order and member roll call.

Vice Chair Lori Nezhura called the meeting to order at 1:01 p.m. A quorum was achieved.

2. Consideration and acceptance of appointment letter designating George Sittner, CEA Chief Insurance Operations & Claims Officer, as a member of the CRMP Governing Board.

Vice Chair Nezhura welcomed George Sittner, the new CEA Chief Insurance Operations & Claims Officer, on behalf of the Board and asked him to introduce himself.

3. Nomination and vote to determine new Chair, CRMP Governing Board, and nomination and vote to determine new Vice Chair, CRMP Governing Board.

Vice Chair Nezhura asked for nominations for Chair of the CRMP.

MOTION: Mr. Welsh moved to elect Lori Nezhura as Chair of the California Residential Mitigation Program Governing Board. Ms. Bollinger seconded. Motion carried unanimously with no abstentions.

Vice Chair Nezhura asked for nominations for Vice Chair of the CRMP.

MOTION: Mr. Welsh moved to elect George Sittner as Vice Chair of the California Residential Mitigation Program Governing Board. Ms. Bollinger seconded. Motion carried unanimously with no abstentions.

4. Consideration and approval of the minutes of the May 30, 2023, CRMP Governing Board Meeting.

There was no Board Member discussion and no public comment.

MOTION: Mr. Welsh moved approval of the May 30, 2023, California Residential Mitigation Program Governing Board Meeting Minutes as presented. Vice Chair Nezhura seconded. Motion carried unanimously with no abstentions.

5. CRMP independent auditors, Plante Moran, PLLC, will present the Report of Audit on CRMP Annual Financial Statements (2022) and Single Audit (2022).

Colin Feguer and Michelle Goss, representatives of Plante Moran, PLLC, provided a slide presentation overview of the audit process, required communications under AU 260 for the 2023 CRMP audit, and single audits performed for the CEA and CRMP.

- Two significant risks of material misstatement were identified: adequacy of expenditures, accruals, and other estimates, and completeness and accuracy of contribution revenue.
- Two significant fraud risks were identified: revenue recognition and management override of controls.

The audit required no audit adjustments and no uncorrected misstatements. It verified that there were no significant findings or losses, no fraud or illegal acts, and that management did not consult with other independent accountants in the management representation letter.

Plante Moran issued an unmodified “clean” opinion on the audited financial statements, which is the highest opinion that an audit firm can give.

Single Audits Performed for the CEA and the CRMP

The CEA is a subrecipient of federal award funds from the Federal Emergency Management Agency (FEMA) Hazard Mitigation Grant Program (HMGP). The CRMP’s project called the Earthquake Brace and Bolt Program for Residential Seismic Retrofits is eligible for these funds based on the CEA’s application. These funds were passed through the CEA to the CRMP.

The CRMP expended more than \$750,000 in federal award funds during 2022, which triggered the requirement of a single audit. 2020 was the first year a single audit was performed.

Plante Moran contracted to audit the use of federal award funds expended by the CRMP to ensure compliance with the FEMA HMGP.

The CEA was also subject to a single audit due to serving as a pass-through entity that received federal award funds and dispersed them to the CRMP to carry out the federal program.

Discussion

Mr. Welsh asked about the separate schedule of pre-audit on expenditures federal awards and whether that audit process was to comply with the FEMA HMGP requirements. He asked if there is an amount that triggers the need for that audit.

Ms. Goss stated extending over the \$750,000 in federal award funds triggers an audit. FEMA has certain compliance requirements in relation to this grant. Plante Moran tests those requirements as part of the single audit.

Public Comment

No public comment.

6. CRMP Treasurer Benjamin Kirwan will review the CRMP financial statements as of June 30, 2023.

Benjamin Kirwan, CRMP Treasurer, provided a slide presentation overview of the CRMP financial information as of June 30, 2023.

Balance Sheet

The big Line Item on the Balance Sheet is Cash and Cash Equivalents at \$5.2 million. This balance is down to \$3.3 million as of August 14th. Staff sought approval at the June CEA Governing Board meeting for an additional \$4 million from the CEA Loss Mitigation Fund to the CRMP to prevent a possible funding shortage. To date, the balance sheet is well-funded. The last reimbursement check received from Cal OES was at the beginning of June. Reimbursement checks will resume in August. That was shut down due to the state’s year-end processes.

The Loss Mitigation Fund Investment Account is currently at approximately \$11.6 million. The cash situation looks good.

Statement of Revenues, Expenditures, and Changes in Fund Balance

The \$3 million Contributions from Members Line Item is the funding from the Loss Mitigation Fund to the CRMP at the beginning of 2023.

The Contributions from Other Governments Line Item is the total amount of receivables and funds received from Cal OES for reimbursable retrofits.

Budget Expenditures versus Actual Expenditures

The Revenue section shows that the CRMP is a little under budget. Most of that has to do with the FEMA – 4407 ESS Program, which has not yet launched. Also, FEMA – 4308 was budgeted higher than what has been done to date. Mr. Kirwan stated the assumption that it will remain well under budget and it will pick up more in 2024 as a result of the slower-than-anticipated 2023.

The Marketing Services/Program Education Line Item under the CRMP Administration Expenses section, which is currently at \$121,000 when \$550,000 was budgeted, will remain under budget at the end of 2023. This is partially because the FEMA – 4407 ESS has not yet launched.

Discussion

Mr. Hanzel referred to the Balance Sheet and stated an advance will be required from the Loss Mitigation Fund, since the balance has been drawn down to \$3.3 million.

Mr. Kirwan stated the additional approved \$4 million has yet to be transferred and is not reflected on the June 30th Balance Sheet.

Vice Chair Nezhura referred to the Statement of Revenues and Expenditures slide and asked if the costs for the Call Center are consistent or higher than the previous year.

Mr. Kirwan stated that they are consistent. He stated he will look up the historical Call Center expenses and send them to Vice Chair Nezhura offline.

Janiele Maffei, CRMP Executive Director, added that the Call Center is inhouse. The staff has remained consistent but they have reported an increase in calls because of expanded programs and new events.

Vice Chair Nezhura referred to the Budgeted vs Actual slide and asked about the application period.

Jennifer Hogan, CRMP Managing Director, stated that program closed on May 31st. Some of the FEMA – 4407 ESS Program marketing expenses have been invoiced.

Ms. Maffei added that the last registration period for the Earthquake Brace + Bolt (EBB) Program was last fall. The registration budget remains available because of the time variance in getting through the waiting list. Some of the surplus is because of the anticipated possible EBB registration in 2023, which may not happen.

Public Comment

No public comment.

7. Daniel Zepeda and David Bonowitz will present on their past and current work with California cities who have or are developing mandatory soft-story seismic retrofit programs.

Ms. Maffei stated staff submitted FEMA Building Resilient Infrastructure and Communities (BRIC) Grant applications in 2021 and 2022 but has not received confirmation on these applications to date. A 2023 application will be submitted in September. In the process of completing the 2023 application, staff considered how to put together a successful program. \$15 million of state funding was appropriated in 2023 that will soon be transferred to the CEA from Cal OES. Staff is preparing to develop concrete plans for a pilot Multi-Family Soft-Story (MFSS) Program.

Ms. Maffei reviewed a slide comparing MFSS Program funding restrictions, number of units, cost restrictions, and seismic design criteria for BRIC applications and state-funded programs. She introduced the speakers and asked them to give their presentations.

Daniel Zepeda

Daniel Zepeda, Principal, Degenkolb Engineers, provided a slide presentation overview of the history, triggers, scope options (soft, weak, or open front [SWOF], wall lines, full story, or full building), and timeline of the Southern California Wood Soft Story Ordinances. He stated the city of Los Angeles put together a task force to review vulnerabilities in the city of Los Angeles. One vulnerability identified was the MFSS buildings. He noted that the basis of many ordinances in Southern California was the open front wall line, the trigger that caused much of the damage seen in the 1989 Loma Prieta and 1994 Northridge earthquakes.

Mr. Zepeda stated most Southern California cities have a screening form. The building owner hires an engineer to do a seismic retrofit design, it goes through construction, and it closes out. All cities in Southern California are surveyed and a notice is sent to a targeted list of buildings. The clock starts from the time the owner receives the notice. The ordinance dictates the amount of time the owner has. He stated most of the buildings are in compliance with deadlines that the ordinance has set. He noted that this process is different in Northern California.

Mr. Zepeda stated SWOF buildings are vulnerable to multiple failure modes and SWOF ordinances are difficult to judge. The Applied Technology Council (ATC) was asked to fund a program to evaluate the performance achieved from single line, open line exterior retrofits versus a full-story retrofit to better understand the amount of risk reduction seen from limited retrofits, depending on the characteristics of the building and the details of the ordinance. The ATC will soon publish a report.

Mr. Zepeda suggested creating a focus group and reaching out to an entity like the Structural Engineers Association of California (SEAOC) to translate the ATC work to policy recommendations. He stated the need to consider the efforts done to date and why those efforts were done. He encouraged higher performance retrofits.

David Bonowitz

David Bonowitz, Structural Engineer and Consultant on disaster risk reduction policy, Chair, Resilience Committee of the National Council of Structural Engineers

Associations (NCSEA), and Immediate Past Chair, NCSEA's Existing Buildings Committee, stated he consults to cities and government organizations in the Bay Area. He provided a handout summarizing the Government Code Article 5.10 Soft-Story Retrofit Program.

Mr. Bonowitz stated what the CRMP is doing with the new CRMP program is not like a city program. Cities have buildings they regularly regulate and a staff of engineers in the building department. The role of the CRMP is very different. It is important to understand what cities are doing, but he asked what the CRMP program can do to help cities.

Ms. Maffei stated one of the reasons for focusing on cities with mandatory or voluntary ordinances is that the application for BRIC funding states that the CRMP will go to cities that have mandatory ordinances in place. The idea was to start with cities that already have an ordinance in place, have an inventory, and understand their vulnerability. Working with cities that have an ordinance in place secures the funding by the ability to expedite the process because the city has already determined the triggers and retrofit design criteria, and helps the CRMP to gather the lessons learned to better assist other cities to implement this program.

Discussion

Mr. Welsh stated a provision in the bill dictates that some amount of money is allocated to help cities that do not yet have an ordinance. He asked if the implementation plan will include these cities.

Ms. Maffei stated many buildings have low- or moderate-income building owners who are asking for financial hardship to comply with the city ordinance. It is important to help building owners in cities with ordinances to comply. The idea was to begin with cities with ordinances while, at the same time, developing services that are needed, especially for smaller cities without the resources to hire structural engineers to begin formulating an ordinance.

Mr. Zepeda stated city issues consist of establishing goals, determining the approach, surveying the buildings, and outreach. This is before developing the ordinance. The CRMP can provide even more assistance to cities after the ordinance is in place. He suggested putting together educational training workshops that cities can attend as a way for the CRMP to help many cities in need with a limited amount of funding.

Mr. Bonowitz stated he has advocated to some cities that they do not need a big program. It is useful for smaller cities that have decided that this is a priority to follow the examples and precedents of other cities. The statutory mandates assist cities on program development and inventory, which is different from subsidizing the retrofit project, which goes to owners.

Mr. Bonowitz suggested prioritizing those projects that are already within mandatory programs and, once it becomes clear to other cities that they should have a mandatory program in order to qualify first and to develop their own program, also ensuring they understand how the funding is allowed to be used – not just to develop the program and do inventory, but to actually implement the program by

training building department staff, doing marketing and outreach, and ensuring that they and their local engineers understand the criteria. All this is important for a city that is not prepared to do this on their own. It is important to provide this assistance and to make it available to smaller cities.

Vice Chair Nezhura agreed that smaller cities can copy programs that have been put in place by larger cities and asked if cities should be encouraged to pass ordinances, develop a voluntary program, or both.

Mr. Bonowitz stated he has clients throughout that spectrum but they generally call when they are interested in a mandatory program because they know they need an ordinance. It is often not as simple as copying another city's program, but rather it is about not reinventing the wheel. It is no longer necessary to inventory and evaluate all the buildings in the city the way San Francisco did 10 years ago. There are ways to shortcut that process and take advantage of the work that has already been done in other cities because no one in the state will argue that cities may have soft-story buildings that need retrofitting. Also, cities may not know that this is already in local hazard mitigation plans.

Mr. Zepeda cautioned against only copying other cities' programs due to the variation in ordinances throughout the state and the differences between Northern and Southern California. He suggested having an independent technical group such as SEAOC to evaluate and provide a summary, pros and cons, and best practices of the different programs in California. He noted that some cities that began with voluntary programs did not see results until they made it mandatory.

Ms. Maffei stated the Existing Building Committee at SEAOC has been dealing with this; many Committee members were also on the Committee that worked with ATC on the study of design criteria processes done in California. She suggested meeting with the SEAOC Existing Building Committee (EBC). The chair of the EBC stated the Committee can write a white paper with recommendations.

Ms. Maffei suggested that the CRMP include the standard of not allowing each city to make an individual decision as recommended by the SEAOC EBC.

Mr. Bonowitz agreed.

Ms. Maffei asked about cities that have not put together public forums to talk about rent passthrough prior to passing an ordinance.

Mr. Bonowitz stated it is difficult to get compliance for ordinances that were passed without a public process. Some cities do not have the ability set aside funding to help certain owners or tenants without grant funding. He stated he has provided recommendations on how to best set up these programs in his handout.

Vice Chair Nezhura asked for a short explanation of the issue of rent passthrough.

Ms. Maffei stated the cost of mandatory ordinances that have no funding can be passed along to their tenants in rent. It would be to the CRMP's benefit for the city to have already dealt with this issue. Delays put grant funding at risk.

Vice Chair Nezhura asked if the program allows for building owners who are not low-income but their tenants are, and whether that would qualify.

Ms. Maffei stated vulnerability index maps look at the median in that area. This does not catch building owners who are in an area that is not surrounded by other like buildings. The question is how to capture that.

Mr. Welsh observed that what is being seeing in the last couple of minutes of discussion is that there are a tremendous number of policy-related issues that will crop up during the MFSS retrofit grant program process. He stated the need to know that the CRMP is on a path to have a well-documented, inclusive, transparent implementation plan. It is important to demonstrate to the Legislature that the funding spent on this program is worthy of further appropriations of tax-payer dollars. A robust community outreach process will be required.

Mr. Welsh stated it is important to develop a detailed implementation plan that is passed through the legal department to ensure that the plan touches on all the things that the Legislature has dictated should be touched on. Every penny spent out of the appropriation needs to be accounted for to prove it was done in a prudent, appropriate way that was fair and added value to the objectives and mission of the program. He stated the need to consider an appropriate timeline to ensure that the implementation plan can be developed and fully vetted by the public and all interested parties.

Mr. Zepeda stated West Hollywood recently received grant funding to transfer over to homeowners who are doing seismic retrofits and the city of Torrance received grant funding to develop their program. He suggested speaking to West Hollywood and Torrance about how they are planning to use their grant funding. He agreed with developing a plan and ensuring that it is properly vetted.

Mr. Bonowitz stated there are pros and cons in going to SEAOC or looking to cities for best practices. The statute mandates what needs to be done; this requires interpretation. He stated he has faith in Ms. Maffei and the Cal OES to make those interpretations wisely. He offered his assistance.

Public Comment

Evan Reis, PE, SE, Executive Director, U.S. Resiliency Council, sponsor of Assembly Bill (AB) 1721 that established the MFSS program, stated the way this program was originally conceived is that it would benefit all communities with seismic risk, particularly those with social vulnerability. In fact, the law specifically mandates prioritizing financial assistance to benefit communities with high social vulnerability. He reviewed communities that supported the bill and stated many of them do not have the resources to otherwise incentivize their building owners and none of them currently have mandatory seismic retrofit programs.

Mr. Reis stated the authors and sponsors of AB 1721 specifically ensured that a city did not have to have an ordinance for its tenants to be eligible for the funding. The funding does not go to the cities to give out as grants, but it can be applied for by an individual building owner. Not having a mandatory retrofit ordinance for tenants to be eligible for the program and including a focus on lower-income communities was central to getting support of cities, the California League of Cities, and the California Building Officials.

Mr. Reis stated he was extremely concerned about this proposal to use the \$15 million that was hard fought for to focus on communities that already have ordinances. This is the opposite of the intent of AB 1721. The \$15 million was specifically intended to start up a robust program. He agreed with Mr. Welsh on the need to develop an implementation plan. He noted that there are many organizations and groups willing to help in this process. The key is that it would be accessible to the entire state, establish retrofit standards for cities that do not have ordinances, and include robust education and community outreach.

Mr. Reis stated the concern that, if these cities are left out, particularly in this first year, it will give those cities that already have ordinances even more of an advantage going forward for the other funding that hopefully will come. If this program is focused only on cities with ordinances, that \$235 million that is still on the table for future funding is going to be in jeopardy. He urged the Board to appropriate this funding for what the law intended – to develop a strong, robust implementation plan that will immediately be targeted toward all cities regardless of whether they have mandatory retrofit ordinances.

Ms. Maffei stated there are lessons to be learned from cities that have passed mandatory ordinances. The one thing that should be in place, and it must be in ordinance, is the topics such as the Americans with Disabilities Act (ADA), fire and life safety, parking, and rent passthrough that can affect a construction project. Cities need to have those issues figured out prior to making the funding available to them, and the solutions to those issues can be borrowed by other cities as they work out their projects. It is also important to ensure success when first opening this program by narrowing the scope. There are only a certain number of buildings that can be retrofitted with the available grant funding.

Mr. Welsh suggested conducting extensive preliminary community engagement to gather input on how to build an implementation plan. He stated Susie Hernandez, Legislative Director, can help identify all interested parties. It is important to gather the input in writing because there may be a need to balance the desires of those cities that are further along and have a clear need to get their inventories retrofitted with the needs of cities that are not as far along. There will be policy and implementation decisions that the Board will be required to help make. The gathered feedback from all constituents will be valuable.

Mike Dayton, Chief Consultant, California Assembly Emergency Management Committee (EMC), stated the EMC is fully committed to the \$250 million but \$235 million has yet to be appropriated. He stated it should not be looked at as a one-time pilot project. He stated prioritizing hazard mitigation grants to communities that adopted ordinances would be helpful to the program long-term.

Mr. Dayton stated the bill did not address whether to prioritize cities with or without ordinances. Instead, it mandated putting the priority on social vulnerability. Further legislative direction will be required if the implementation plan does not reflect that funding will go to socially vulnerable populations.

Ms. Maffei stated seismic risk and social vulnerability are a priority.

Mr. Bonowitz stated every city in the Bay Area that has a mandatory program has socially vulnerable residents, low-income housing, and unaffordable housing. These can be prioritized within the program to get the benefits of a logistical program while helping individuals who need help complying with that mandate.

Mr. Welsh stated an implementation plan that is phased appropriately, transparent, and developed in collaboration with the community will help with determining how to appropriately interpret and apply the legislation in a way that honors the intent and makes the program effective.

Mr. Dayton suggested emphasizing this in local hazard mitigation plans or rewarding individuals who do so. He asked if the priority for the BRIC Grant will be communities that already have a soft-story ordinance in place or if it will be open to all communities.

Mr. Zepeda stated cities in Southern California are conscious that seismic retrofits may include scope creep. The ordinance specifies that it is purely structural. Obviously, life and safety hazards can be discovered during construction and those must be addressed.

Mr. Zepeda stated Mr. Reis pointed out an interesting nuance that he had not yet fully appreciated. He thanked Mr. Reis for bringing it to everyone's attention. He stated, even if a program is trying to reach owners and residents in areas without a mandatory ordinance, the mechanics and administration must be considered. It is important to determine who will run the program and who will establish the rules. He stated, in his experience, the cities at least put together a voluntary ordinance that sets the standards so that the owner has something to follow and the plan checker has something to check against so building owners have guidance. It is not about demanding that a mandatory ordinance be present; it is about establishing the criteria and where to draw the line as part of the grant-funding process so funds can be awarded to individuals in need. He stated he appreciated Mr. Reis's clarification.

8. CRMP Executive Director Janiele Maffei will present her executive report.

Ms. Maffei reminded everyone that the CRMP is trying to create safe homes for people in California. She showed slides of the effects of earthquakes on retrofitted and non-retrofitted homes that are side-by-side in areas that have experienced recent earthquakes.

Ms. Maffei stated registration has begun in Humboldt County with good success.

Ms. Maffei stated the Single-Family ESS Pilot Program has opened in five cities (San Francisco, Oakland, Berkeley, Pasadena, and Los Angeles) with \$5 Million from FEMA HMGP funding. Staff is putting together quick tips for contractors on how to overcome challenges. She showed slides of damage done in recent earthquakes to homes with living spaces over garages.

9. CRMP Managing Director Jennifer Hogan will present the CRMP Mitigation update.

Ms. Hogan updated the Governing Board on the CRMP and CEA mitigation interests and projects:

Earthquake Brace + Bolt Program Update

- Retrofits strengthen four vulnerabilities as identified in the Applied Technology Council (ATC) 110 Research Project: cripple wall, living-space-over-garage, hillside house, and chimney.
 - The Earthquake Brace + Bolt (EBB) Program mitigates the cripple wall vulnerability.
 - The ESS Program mitigates the living-space-over-garage vulnerability.
- Over 21,000 retrofits have been completed to date.
 - 560 Supplemental Grants have been paid.
- 6,731 applications are in-process.
 - Approximately 1,400 are eligible for the Supplemental Grant Program.
- Almost 8,000 registrants are in the queue.
- The next registration period is scheduled to open in early January of 2024, the 30th anniversary of the Northridge earthquake.

Humboldt County EBB Registration

- Registration closed July 31st.
 - 361 qualified homeowners registered.
 - 222 registrants declared eligibility for the Supplemental Grant Program.

Earthquake Soft-Story (ESS) Pilot Program

- The Single-Family ESS Pilot Program to mitigate the living-space-over-garage vulnerability has opened in 82 eligible ZIP Codes within the 5 pilot areas, as mentioned in the Executive Director Report, above.
- Registration closed May 31st.
- 513 qualified homeowners registered. Two-thirds have been accepted into the program on June 30th. The remaining 150 registrants will be waitlisted – they will be brought into the program as spots become available.
- Program participants will have until the end of September to select a contractor and obtain a permit. Construction is expected to begin later this year or early next year after the Cal OES review process is completed.

Ms. Hogan provided a slide presentation overview of the retrofit funding type by year completed, average cost of an EBB retrofit, EBB staff efforts, and CRMP insurance renewal. She stated the goal is to complete approximately 6,000 retrofits this year to ensure that grants funds are fully expended and to be consistent with the Spending Plan agreed to with Cal OES and FEMA for the additional \$80 million received. Over 2,000 retrofits have been completed to date and another 3,500 are

expected to be completed by the end of the year, for a total of 5,845. One of the marketing goals is to increase the pace at which homeowners complete their retrofits.

Ms. Hogan noted that 77 percent of the retrofits cost under \$7,000, which is consistent month over month. She stated the HMGP application for an additional \$5 million for the EBB Program was submitted to Cal OES on August 4, 2023, and the third BRIC application for an additional \$20 million for MFSS will be submitted on Friday.

Discussion

Mr. Welsh asked if Humboldt County registrants will be accepted who have repairs from the earthquake and are folding the grant into the retrofit.

Ms. Hogan stated repairs cannot be funded with grant money.

Vice Chair Nezhura asked about the number of homes in Humboldt County that have a pier-and-post foundation.

Ms. Hogan deferred to Mark Grissom to answer this question.

Mark Grissom, Program Manager, stated that is not a data point captured at registration but it is part of the information collected during the permitting process at the completion of each project.

Vice Chair Nezhura asked if the ESS program has a Supplemental Grant Program.

Ms. Hogan stated the pilot program does not include a Supplemental Grant Program.

Mr. Sittner asked why retrofits cost more in Northern California over Southern California.

Ms. Maffei stated a materials cost analysis found that costs were similar for both Northern and Southern California. The difference stems from labor costs. Also, Northern California already had a retrofit market when this program began that catered to affluent homeowners. Unfortunately, those contractors dominate the market and are at the top of the list when googled. The CRMP has been battling this issue for ten years.

Mr. Sittner asked about ESS retrofit costs.

Ms. Maffei stated it is estimated between \$14,000 and \$27,000, notwithstanding other possible damage repair from termites, water, etc.

Mr. Sittner asked about the grant funding for the ESS program.

Ms. Hogan stated the grant funding is up to \$13,000, depending on the type of construction.

Vice Chair Nezhura reminded everyone that, with all the declared disaster damages that occurred this winter, another large HMGP allocation is expected within the next 6 to 12 months. She commended the CRMP team for their diligence in submitting grant applications

Mr. Welsh stated his question refers only to the most mature program, EBB. He stated he understood why the program needed to start with select areas, finding the right ZIP Codes and encouraging contractors in surrounding areas to do the work. He asked if EBB is mature enough that it can be opened up statewide and maybe move away from the lottery system, which does not necessarily target the homes of highest need.

Mr. Welsh suggested having a discussion at the next meeting about expanding the reach of the retrofit program to better reach homes with the greatest need by considering new ways of letting registrants in the program, wherever they happen to be across the state of California. He suggested building an award program to replace the random lottery with something like a point system that looks at criteria such as the vulnerability and the low-income status of individual properties in a fair and transparent way.

Vice Chair Nezhura thanked staff for researching the number of households that complete the retrofit and get the Supplemental Grant. There currently is a deficit of applicants who self-identify as low income and are eligible for the Supplemental Grant Program and applicants who complete the process. She asked staff to look closely at the gathered data to determine the reasons for the difference between the 50 percent of individuals who apply and the 27 percent who complete their retrofits.

Ms. Hogan noted that the 27 percent includes individuals who think they are eligible but in fact do not qualify. She stated she will add a slide to her CRMP Mitigation Report on the Supplemental Grant Program beginning at the next meeting.

Mr. Sittner asked if the Board needs to meet more frequently given the new programs and the emergency of the MFSS Program.

Ms. Maffei stated staff will put together a draft calendar once funding has been received.

Mr. Welsh suggested focusing interim meetings on only one agenda item.

Public Comment

Mr. Dayton thanked the Board and staff for their work and for the discussion today. He agreed that the Board may need to hold interim meetings. He stated city emergency planners do not include things like earthquake retrofits in local Hazard Mitigation Plans. He stated the need to ensure that cities know that there is funding available for this and how to get the word out in the best way.

10. Public comment on items that do not appear on this agenda and public requests that those matters be placed on a future agenda.

There were no questions or comments from the public.

11. Adjournment.

There being no further business, the meeting was adjourned at 2:57 p.m.



August 29, 2023

Re: Multifamily Soft Story Grant Program

Members of the CRMP Board,

I write to reiterate my hope that the California Residential Mitigation Program will create a robust, statewide, Multifamily Soft Story Grant Program that meets the expectations of the stakeholder groups who were essential in rallying support for the legislation authorizing the \$250 million program. The initial appropriation of \$15 million in the 2023-2024 budget was intended to primarily fund program technical and administrative development, and engagement of communities statewide. In particular, in order to best leverage funding to retrofit as many buildings as possible, the focus was to be on those communities without existing mandatory seismic retrofit ordinances or the resources to bring awareness of the grant opportunities to apartment owners in their jurisdictions. It is imperative that the broad coalition that supported this effort be kept in place and be supportive of this initial effort to provide the best opportunity that the full \$250 million will be allocated to this program in the coming years.

The \$250 million grant program will be the largest ever administered by the CEA. Anticipating the scale of the effort, the legislation specifically authorizes the CRMP to expend "reasonable funds, as required, to offset administrative, operational, information technology, and finance costs to administer the program." Mike Dayton, a member of Assemblymember Rodriguez's staff, stated that the Assemblymember is committed to securing the entire \$250 million in funding in coming years, and therefore the program should be developed with the full funding in mind, not as a "pilot."

I recommend that the CRMP formally engage organizations with expertise in the technical development of guides and standards, and with experience in community engagement and outreach, to assist the CEA in developing the Multifamily Soft Story Grant Program in a way that can be accomplished both quickly and comprehensively. The most appropriate way to do this would be through an RFP process that is open and transparent, with objective evaluation criteria. The CEA has successfully used this process in the past to support the Earthquake Brace and Bolt Program (EBB) – eventually contracting with both the Applied Technology Council and the Pacific Earthquake Engineering Research Center. The Multifamily Soft Story Grant Program is more than an order of magnitude larger than EBB, making it all the more advisable for CEA to take a similar approach. The US Resiliency Council has assembled a team of technical and community engagement partners, including The Applied Technology Council, and the San Francisco Bay Area Planning and Urban Research Association, who would be one team with the technical and community outreach expertise to respond to such an RFP.

Time is of the essence, but a robust program can both be developed and demonstrated in practice, if it is developed in collaboration with organizations having appropriate experience, it begins quickly, and the effort is provided the appropriate resources.

My best regards,

A handwritten signature in black ink, appearing to read "Evan Reis".

Evan Reis, SE
Executive Director, US Resiliency Council

Cc: Janiele Maffei, Glen Pomeroy



RECOMMENDATIONS FOR DEVELOPING THE STATE'S FIRST MULTIFAMILY SOFT STORY SEISMIC RETROFIT PROGRAM:

Ensuring equitable and cost-effective program development

INTRODUCTION

The Multifamily Soft Story Seismic Retrofit Program (Multifamily Retrofit Program) received \$15 million in the 23-24FY state budget to support seismic retrofitting of at-risk apartment buildings across the state. According to the legislation, the program will mainly provide financial assistance in the form of grants to multifamily property owners who retrofit wood-frame buildings that suffer from a “soft-story” seismic deficiency—typical of low-rise wood-frame buildings built before 1978 with ground floor tuck-under parking or commercial space. The one-time \$15 million investment in this program is far from the original allocation of \$250 million for use over 10 years, although we hope future funding will be available. Still, this funding is invaluable for advancing the seismic resilience of California’s existing housing stock while reducing the financial burden of retrofitting on both landlords and tenants.

SPUR advocates for this program to protect low- to moderate-income renters that live in these collapse-prone soft-story buildings from injury and housing loss as a result of a major earthquake, in addition to contributing to general public safety and disaster recovery through seismic mitigation. The legislation mentions that financial assistance criteria must “consider” the number of low to moderate-income households in the neighborhood, but it is unclear how the California Residential Mitigation Program’s (CRMP), a joint-powers-authority of the California Earthquake Authority (CEA) and the California Governor’s Office of Emergency Services (CalOES), will develop and implement this program in accordance with this goal. We hope the following recommendations support CRMP’s work in developing a strong equity-centered seismic mitigation program.

LEGISLATIVE BACKGROUND

In 2022, [Assembly Bill 1721](#) proposed an allocation of \$400 million per year for five years to provide matching grant funding for earthquake retrofits, establishing the Multifamily Retrofit Program. Soon after, the amount was reduced to \$250 million for one year (covering 10 years of program implementation) and the program was placed in a budget trailer bill, [Senate Bill 189](#), which was approved and signed into law by Governor Newsom in June 2022. Despite bipartisan support for the program, the program received *no* funding in the governor’s [proposed 2023–24 budget](#). Assemblymember Rodriguez immediately put forth an emergency funding bill, [AB 1505](#), to appropriate \$250 million for the program. After further negotiations, the funding package for the Multifamily Seismic Retrofit Program was reduced to \$15 million for fiscal year 2023–24.

The California Residential Mitigation Program (CRMP), formed in 2011 to provide grants and other assistance to *homeowners* who wish to retrofit against earthquake damage, is tasked with implementing this program including: developing eligibility criteria for property owners and communities, as well as establishing financial assistance limits and matching fund contributions. The CRMP has applied to the Federal Emergency Management Agency’s (FEMA) Building Resilient Infrastructure & Communities (BRIC)



program for \$20 million to fund a multifamily soft story program. If received, this funding could help bolster this program in the first couple of years.

Under current law, the scope of the Multifamily Retrofit Program includes older wood-frame multifamily apartment buildings with 2 to 20 residential units. The following are additional basic program requirements outlined in SB 189 (2022):

The program must:

- Provide financial assistance to owners of multifamily housing with collapse-risk buildings for seismic retrofitting.
- “Encourage cost-effective seismic retrofitting for existing affordable multifamily housing.”
- Financial assistance criteria must consider the following: the area’s seismic vulnerability, the number of low- and moderate-income households, and other socioeconomic factors.
- Prioritize owners of multifamily housing in communities with high concentrations of soft-story multifamily housing.
- Provide financial assistance to local governments for the purpose of advancing retrofit programs, especially inventory programs (10% of funds).

With few legislative requirements, it remains unclear how CRMP, tasked with managing this program, will distribute grants in accordance with the directives above. The CRMP will need to be strategic in developing program criteria in order to retrofit as many buildings and protect as many renters as possible while also incentivizing property owners to retrofit dwellings and limiting rent increases for tenants who already struggle to make rent. Below are recommendations for how SPUR would like to see this program move forward.

RECOMMENDATIONS

This is the state’s first multifamily retrofit grant program with the goal of protecting vulnerable renters in the event of a major earthquake. This is an important milestone as prior to the funding of this program only single-family homeowners were offered retrofit assistance through the CRMP’s Earthquake Brace & Bolt Program (EBB) and the recently launched \$5 million pilot [Earthquake Soft Story Program \(ESS\)](#) which targets single family homes and duplexes with a living space over a garage. Given that 44% of California residents are renters ([CalBudget Center](#)), the CRMP’s past focus on single-family homeowners is an oversight. The Multifamily Retrofit Program is an investment in post-disaster community resilience and equity. SPUR sees the goals of this Program as follows:

1. Protecting vulnerable low- to moderate-income tenants from displacement and capital passthroughs caused by retrofit construction and displacement in the event of a major earthquake.
2. Supporting and incentivizing local retrofit ordinance development through the creation of tiered subsidies as well as financial and technical support for cities interested in adopting an ordinance or conducting a building risk assessment.
3. Providing financial assistance to property owners serving vulnerable tenants in underresourced cities that may never be able to adopt a retrofit ordinance for a variety of reasons.



The below recommendations extend from the above goals and are offered to guide the CRMP in its interpretation of the language of SB 189.

Recommendation 1: Direct grant assistance to owners serving low and moderate-income tenants, as well as low-wealth owners in order to preserve existing affordable housing stock.

The existing bill language states that the financial assistance criteria, developed by the CRMP, must consider a building's *location* (i.e. *location in a socially vulnerable neighborhood with a certain number of low- and moderate-income households*). It does not, however, require grant assistance to consider the individual needs of the building's owner and tenants. Determining who lives in a building can be challenging. But there are characteristics that can be used as proxy in place of tenant income qualifications, which tenants often fear providing to landlords or government entities. To determine low-income tenancy, the CRMP should require property owners to submit current building unit rents, which can then be referenced with neighborhood local averages for comparable units. Rents can act as a proxy for tenant's income and affordability.

If the CRMP focuses solely on neighborhood characteristics, this program could end up subsidizing wealthy property owners in low-income neighborhoods while overlooking lower-wealth owners or low- to moderate-income tenants located in wealthier neighborhoods. If the CRMP uses maps that show social vulnerability at the census tract level to determine what buildings are qualified to apply for grants, the program may overlook the needs of low-income households that live in older buildings interspersed in more wealthy neighborhoods. Using current unit rents is a more direct way to target needy tenants.

Recommendation #2: Offer financial assistance equitably to building owners that are already subject to mandatory local seismic retrofit ordinances and those that are not.

A growing number of California cities have implemented mandatory soft story retrofit programs. Prioritizing the buildings and owners already subject to these local mandates will respect and reward local programs, ensuring that this taxpayer money goes to communities where citizens and policy-makers have already confirmed and prioritized a citywide need. It may also incentivize some cities to adopt mandatory retrofit ordinances of their own, expanding the benefits of the CRMP program from individual buildings to community resilience. On the other hand, property owners under mandate are already required to retrofit so any subsidies that support these owners takes away from funding for property owners that are not required to retrofit but would retrofit voluntarily if subsidies are available. Furthermore, adopting retrofit ordinances is a difficult political issue that many cities may never be capable of overcoming, and applying for funding from FEMA through the Hazard Mitigation Grant Program (HMGP) is far more difficult for lower-resourced cities. Limiting financial assistance to mandated cities may leave a lot of under-resourced communities without seismic retrofit funding.

When owners search for incentives to conduct a seismic retrofit without a local mandate, very high subsidies, on the order of 75 percent of project costs, are often needed to motivate owners to retrofit voluntarily. For



owners facing mandatory costs, even small subsidies (around 50 percent of project costs depending on need) are helpful. Prioritizing buildings and owners already subject to retrofit ordinances is more cost effective. Still, many property owners and city leaders may see a prioritization of cities with mandates as an unfair government subsidy for already better-resourced communities.

From a practical perspective, the prioritization of owners under retrofit mandates solves a host of problems facing CRMP and will allow the program to be rolled out much faster:

- It avoids conflicts with local jurisdictions that would arise if CRMP were to adopt definitions or criteria that differ from local programs.
- It allows CRMP to leverage local building departments for regulation and enforcement. For example, local housing authorities and city staff could participate in determining what buildings and owners should receive retrofit subsidies based on known locations of vulnerable renter populations and known low-wealth owners.
- It can help ensure that equity and income considerations are appropriate to the local context and have been vetted by local policy-makers and stakeholders.

Despite these benefits, SPUR would like to see the funding distributed equitably to owners that wish to retrofit voluntarily and those under mandate. The legislation that created the Multifamily Retrofit Program was supported by cities and counties and co-sponsored by legislators in districts without ordinances. If CRMP limits this funding to cities with mandates, securing funding for this critical seismic resilience program in future years may be difficult.

Recommendation 3: Offer financial assistance that covers between 40 to 75% of retrofit design and construction project costs.

SPUR's recommended subsidy range was created through a review of outcomes from soft story retrofit programs in the City and County of San Francisco, the City of Oakland, and the City of Berkeley. To incentivize property owners to retrofit in jurisdictions without existing mandatory retrofit ordinances, SPUR suggest that CRMP covers at least seventy percent of design and fifty percent of construction costs. For property owners who are *already* subject to a local mandatory retrofit ordinance, SPUR recommends offering a lower subsidy (e.g. 50% of design, 40% of construction). This is because, in this case, the main purpose of the grant is as a subsidy rather than also as an incentive. Moving forward, when cities adopt a retrofit ordinance, property owners should be offered the larger subsidy amount rather than the lower amount. By offering the larger subsidy for property owners in cities that pass ordinances after the Multifamily Retrofit Program is launched, CRMP may be able to help incentivize owners to push cities to pass mandatory ordinances so that property owners can access larger subsidies.

To make sure that this \$15 million multifamily retrofit program is cost-effective (defined as retrofitting as many buildings as possible while prioritizing low to moderate-income tenants), it is critical to analyze available cost data from existing retrofit programs. SPUR reviewed limited soft story program data from San Francisco, Oakland, and Berkeley summarized in *Table 1* (a more detailed SPUR review of local soft story



programs is forthcoming). Unless otherwise noted, the cost data in *Table 1* is represented as costs submitted by property owners during the permit application process. Because the cost submittal determines the permit costs, and because these are cost estimates before construction has ensued, we can assume that this cost data significantly underestimates retrofit costs. Still, the cost data provides a point of comparison. For example, the City of Berkeley’s program data reflects actual design and construction costs of retrofits for buildings with 5-10 units. The City was able to gather actual cost data from property owners through the City’s [Retrofit Grants Program](#) that reimburses property owners of eligible buildings up to 75% of design costs and 40% of construction costs. For buildings with 5-10 units, the average cost of a soft story retrofit in the City of Berkeley is \$97,000. The average inflation-adjusted permit evaluation cost of retrofitting 5-10 unit buildings in the City of San Francisco is \$79,500. By comparing these two averages, we can make a limited assumption that permit costs were underestimated by about twenty-two percent. Interviews with staff members of the San Francisco, Oakland, and Berkeley soft story retrofit programs support this assumption. Staff members speculated that permit evaluations of design and construction costs were underestimated by twenty to thirty percent.

The CRMP can utilize this assumption in estimating the true costs of a soft story retrofit in order to determine proper grant subsidies.

Table 1. Soft Story Retrofit Program Data: Design and Construction Costs

	Average cost of retrofit buildings with 5–10 units (Sample size)	Average cost of retrofit buildings with 10-15 units (Sample size)	Average cost of retrofit buildings with 15-20 units (Sample size)
Berkeley Retrofit Program Data	\$97,000* (26)	NA (1)	\$116,000 (27)
San Francisco Retrofit Program Data	\$79,500 (2291)	\$100,500 (744)	\$126,500 (321)
Oakland Retrofit Program Data	\$121,000** (13)	\$116,900** (12)	\$133,600** (9)

Source: Program data from the City of Berkeley (via personal communication), the City of Oakland (via personal communication), and the [City and County of San Francisco](#).

Notes: * Inflation-adjusted actual costs, the City of Berkeley FEMA grant data. **Non-inflation adjusted actual costs, the City of Oakland SHOP data, FEMA HMGP grant reimbursement. All other costs are represented as inflation-adjusted permit valuation costs.

As the table shows, it is misleading to talk about a single typical project cost without recognizing significant differences between buildings, and just as misleading to present that cost “per unit.” Larger buildings do cost slightly more on average than smaller buildings, but they also cost relatively less per unit. The cost is also a function of the building’s condition and construction type (which are related to its age), its site (seismicity and ease of construction), the degree of deficiency, whether steel retrofit elements and new foundations are needed, and the retrofit criteria applied (Los Angeles and Bay Area programs differ).



Recommendation #4: If a property owner receives a grant through the Multifamily Siesmic Retrofit Program to subsidize the retrofit of their buildings, the owner must agree to certain tenant protections.

This multifamily retrofit subsidy program offers an avenue to build in tenant protections. Protections should include a time limited period of participation that requires the landlord to minimize tenant disruptions and not raise rents above a designated amount. However, landlords need to see a business case for participating in the program. If they stand to lose more in foregone rents than they gain in subsidies, they will not participate, and tenants won't receive any protections.

Effective programs to subsidize landlords and protect tenants need to offer benefits to both landlords and tenants, or risk being underutilized. [California's Low-Income Weatherization Program](#) required landlords to agree to limit rent increases for ten years following government subsidies to make their properties more energy-efficient. As a result, almost no market-rate landlords chose to participate in the program.

A better approach is to require that landlords agree to limit rent increases to no more than the average rental increase of their city for the ten years following the project.

Below is a list of other tenant protections that the CRMP should require:

1. There must be zero instances of “no-fault” just-cause evictions during the retrofit process. Owners will not receive grant payout if tenants have been evicted during construction;
2. Require payments to tenants for significant construction disruptions (loss of parking, loud construction disrupting work from home, etc.)
3. Owners with history of noncompliance with code enforcement or those with harassment violations are not eligible for funding.

Recommendation #5: Provide assistance to local building departments to both develop and *implement* retrofit programs.

Current Government Code provisions allow the funds to be used by cities to create building inventories. Even more important is support for cities implementing actual retrofit programs. Cities might need to hire new staff, train existing staff, develop outreach tools, and develop new bulletins, forms, and procedures, all of which are barriers or bottlenecks for implementation.

Recommendation #6: Allow the CRMP subsidy to cover a variety of retrofit project costs.

Financial assistance should be allowed to cover design, permit fees, unrelated triggered work (such as accessibility upgrades in mixed-use buildings), tenant relocation, or payments to tenants for loss of housing services like parking.