

As approved by The Governing Board on Tuesday, August 15, 2023.

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

**Tuesday, May 30, 2023
12:30 p.m.**

Location: Virtual Only

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

Laurie Johnson, Chair, CRMP Governing Board
Lori Nezhura, Vice Chair Appointee, Deputy Director, California Office of Emergency Services (Cal OES)
Jennifer Bollinger, Chief Counsel, Cal OES
Tom Welsh, CEA Appointee, CRMP Governing Board

Members of the CRMP Staff in attendance:

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

Also Present:

No members of the public addressed the Governing Board.

1. Call to order and member roll call.

Chair Johnson called the meeting to order at 12:31 p.m. A quorum was achieved.

2. Consideration and approval of the minutes of the February 14, 2023, CRMP Governing Board Meeting.

MOTION: Mr. Welsh moved approval of the February 14, 2023, California Residential Mitigation Program Governing Board Meeting Minutes as presented. Chair Johnson seconded. Motion carried unanimously.

3. CRMP Treasurer Benjamin Kirwan will review the CRMP financial statements as of April 30, 2023.

Benjamin Kirwan, CRMP Treasurer, provided a slide presentation overview of the CRMP financial information as of April 30, 2023. The CRMP currently has approximately \$4 million cash-on-hand. The fund balance at the end of the first four months of the year was \$9.8 million. Approximately \$7 million in retrofits were completed in the first four months, which is behind projected figures but Federal Emergency Management Agency (FEMA) 4407 will launch shortly. Also, FEMA-4408 is beginning to increase activity after a slow start.

Mr. Kirwan noted that all line items under Administrative Expenses on the budget to actual expenditures sheet are projected to be under budget; however, some of the discrepancies in Administrative Expenses were related to timing, including Marketing Services Project Education. While the projection for that budget expenditure remains at below \$550,000 for 2023, most of those expenses will be incurred after the second quarter.

Mr. Kirwan reviewed the Cash Flow Memo and stated, at the June 8, 2023, CEA Board meeting, he will request that \$4 million be transferred from the Loss Mitigation Fund to the CRMP. During that meeting, he will also request that \$5 million be transferred from the CEA to the Loss Mitigation Fund. Annually, the Loss Mitigation Fund is funded with 5 percent and/or \$5 million, depending on which is larger, of the total investment income return. That income return is high for the CEA in 2022. There is currently approximately \$7 million in the Loss Mitigation Fund. With the \$5 million transfer from the CEA, that will be increased to \$12 million.

Mr. Kirwan stated part of the reason for asking for additional funding in 2023 is, for some of the reimbursement requests that CRMP is sending to Cal OES and the State Controller's Office (SCO), the timing has been extended and the end of the fiscal year for the state approaches. Beginning June 1, CRMP may not receive any other reimbursements from the state until the end of August. CRMP is asking for an additional \$4 million to cover expenses related to its operations to ensure there are enough funds to continue.

Discussion

Chair Johnson stated the goal is to move the \$9.8 million in funding out for earthquake mitigation efforts and not to hold onto it.

Mr. Kirwan agreed and stated CRMP is waiting for reimbursements for the FEMA grants. As the funding is received, the balance will decrease.

Vice Chair Nezhura asked about the process to submit an invoice or formal letter to Cal OES and to whom it would be sent.

Jennifer Hogan, CRMP Managing Director, stated reimbursement requests go via email to the Cal OES Recovery Financial Processing Unit.

Vice Chair Nezhura asked for verification that the \$5.1 million is documentable reimbursement.

Mr. Kirwan stated it is documentable reimbursement as of May 5th. This amount will increase over the course of the summer if no reimbursements are received until August. To

be prudent, CRMP will ask the CEA for permission to transfer \$4 million from the Loss Mitigation Fund to the CRMP.

Mr. Welsh asked if this will be adequate to meet the accelerated cashflow demands of the program, since the current program plan is to disburse as much as \$80 million in grants.

Mr. Kirwan stated the requested \$4 million will be enough for activities through August. If more is required, CRMP can ask the CEA Board for additional funding.

Public Comment

No public comment.

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

Janiele Maffei, CRMP Executive Director, updated the Governing Board on the CRMP and CEA mitigation interests and projects:

2022-23 Ferndale Earthquake Sequence

Ferndale received very little earthquake damage. Rio Dell, the little city in the crux of the Eel River, was the hardest hit. Staff visited the area in January, participated in town meetings, spoke with local officials, and committed to see how the Earthquake Brace + Bolt (EBB) program could be part of recovery. FEMA grants require that CRMP not participate in earthquake repair. Staff considered how to delineate between repair and retrofit and, with Board support, opened additional registration in the area for 200 retrofits.

Ms. Maffei spoke at a town hall meeting hosted by the California Seismic Safety Commission to let the local officials, media, and residents learn what CRMP is doing. Helping the residents of Rio Dell become more resilient for future earthquakes is an exciting concept, particularly because many residents were putting their houses back on the pier-and-post foundation, the type of vulnerable foundation they were on prior to the earthquake. Pier-and-post foundations are more expensive to retrofit because a solid foundation must first be put in.

Registration for the EBB program opened on May 22nd and will close at the end of July for 200 additional houses in 13 ZIP Codes in Humboldt County.

EBB Supplementary Grants

The Rio Dell community will be given the opportunity for EBB Supplementary Grants for income-eligible homeowners. This grant provides 100 percent of the funds needed to help strengthen houses in disadvantaged communities.

Ms. Maffei stated she misspoke at the last meeting by saying the Supplementary Grants would be tax-free at the federal level, based on an agency in the east that would provide financial assistance for public programs for income-qualifying households. An additional study needs to be done before this can be stated definitively.

Suman Tatapudy, Secretary, CRMP, added that CRMP has always treated FEMA-funded grants as exempt from state and federal taxation, whereas grants funded by other sources, including funding from the state of California or funding from the CEA's Loss Mitigation Fund, are not exempt from federal taxation. Because of this reason, to the extent possible, CRMP will be using FEMA dollars to supplement grants including the Supplementary

Grants. However, in instances where FEMA dollars cannot be used to fund the Supplementary Grants, CRMP will work with outside tax counsel and CEA staff to find ways in compliance with federal law to fund these grants on a tax-free basis. Because these grants go to low-income applicants, there may be exemptions available in the Federal Tax Code that are not available in other instances. If those exemptions are not available, staff will work with the applicants to figure out whether accepting the grant is a viable option.

Single-Family Earthquake Soft-Story (ESS) Program

- The Single-Family ESS Program to mitigate the living-space-over-garage vulnerability pilot launched with \$5 million of FEMA Hazard Mitigation Grant Program (HMGP) funding to address this pervasive and dangerous problem.
- The FEMA P-1100 prescriptive plan sets will be able to be used for most houses by a contractor without a specific engineer design because they are pre-engineered.

Multi-Family Soft-Story (MFSS) Program

- The number-one residential target among the earthquake engineering community in California is the multi-family soft-story, which will be part of the MFSS Retrofit Grant Program.
- Applicants will have potential FEMA Grant funding. This is currently under review.

Discussion

Chair Johnson asked if Supplementary Grant applicants will be contacted prior to awarding the grant so they are aware of the federal taxation risk.

Ms. Maffei stated staff will be working with the CEA's counsel to put language in the rules to clearly notify applicants of potential implications that they should investigate.

Public Comment

No public comment.

5. CRMP Managing Director Jennifer Hogan will present the CRMP Mitigation (Earthquake Brace + Bolt) update.

Ms. Hogan provided her report:

Earthquake Brace + Bolt (EBB) Program Update

Retrofits strengthen four vulnerabilities as identified in the Applied Technology Council (ATC) 110 Research Project: cripple wall (mitigated by the EBB Program), living-space-over-garage (mitigated by the ESS Program), hillside house, and chimney.

- Over 20,000 retrofits have been completed to date.
- Approximately 5,000 applications have been accepted to date.
- Approximately 12,000 registrants are in the queue.
- 18,000 grants and 3,000 supplementary grants are available.

- EBB registration will likely reopen for all eligible ZIP Codes later this year. This will help to keep the program in mind by offering a registration each year and will help to ensure that there are enough registrants to fill behind those who are declined.

Humboldt County EBB Registration

- Cal OES provided a \$2 million funding augmentation of existing HMGP grants, making 200 grants available in 13 eligible ZIP Codes in response to the recent earthquakes in Humboldt County, especially in the city of Rio Dell.
- Registration began May 22nd and will be open through July 31st.
- Over 200 qualified homeowners registered in the first week.
- Contractors have gone from 3 to 30 in the directory serving the Humboldt area. Staff will follow up with them to ensure they complete the FEMA training.

Single-Family Earthquake Soft-Story (ESS) Program

- The Single-Family ESS Pilot Program launched on April 25th. The program will provide up to 75 percent of the cost of a Soft-Story retrofit up to a maximum of \$13,000.
- Approximately 350 grants are available, based on the cost of each retrofit.
- The program is available in 82 eligible ZIP Codes in 5 pilot areas.
- 444 qualified homeowners have registered.
- 196 homeowners started applications but did not complete them. Follow-up emails were sent out to ensure the individuals understand that they need to complete the registration. One additional email will be sent to inform them that registration will soon be closing. This generally causes an uptick in application completions.
- 117 qualified contractors have completed the FEMA training and are active on the Contractor Directory to support this program.
- It is expected that registration will re-open for ESS later this year or early next year to expend all the funds.

Funding Opportunities

Ms. Hogan provided a slide presentation overview of the future funding opportunities, retrofit funding by year completed, average cost of EBB retrofit, retrofit cost by range, and EBB Program contractors. She stated, since the last meeting, FEMA has issued a categorical exclusion for environmental and historic preservation review for the HMGP DR 4308 grants, which will allow the program to move faster and will expedite the ability for CRMP to request reimbursement.

Ms. Hogan stated staff is supporting the development, launch, and administration of the CEA BB Program, the Brace+Bolt program for CEA policyholders. This program is expected to launch in mid-July to early August of this year.

Discussion

Mr. Welsh asked about potential drivers for the decreasing average cost of retrofits in Northern California.

Ms. Maffei stated the drop in costs were because of the introduction of competition. The highest costs were in the East Bay, where the few contractors on the list for the more affluent area could charge higher prices. The introduction of additional funding to the entire San Francisco Bay Area brought in more contractors to help drive the costs down.

Ms. Maffei stated the hope for more contractors in Humboldt County, since the few contractors currently on the list can charge higher prices.

Public Comment

No public comment.

6. CRMP Managing Director Jennifer Hogan will provide an update of the Business Plan for review and approval.

Ms. Hogan reviewed the proposed changes to the CRMP Business Plan, which were included in the meeting materials. She noted that there are no substantive changes proposed.

There was no Board discussion and no public comment.

MOTION: Chair Johnson moved staff's proposed changes to the CRMP Business Plan. Ms. Bollinger seconded. Motion carried unanimously.

7. Keith Porter, PE, PhD, will present on the market value of seismic retrofits, or natural hazard mitigation pays.

Ms. Maffei introduced Dr. Porter and asked him to present this agenda item.

Keith Porter, PE, PhD, Institute for Catastrophic Loss Reduction (ICLR), and Adjunct Professor of Engineering, Western University, provided a slide presentation overview of the problem, retrofit pros and cons, data gathered, challenges, and outreach options of the study: "The Market Value of Seismic Retrofit, or Natural Hazard Mitigation Pays." He stated the study suggested that strengthening an older house to better resist earthquakes could increase its resale value by 17 percent, which is potentially over \$100,000. This creates a strong motivator for individuals to invest in earthquake resilience. The Benefit Cost Ratio is approximately 12:1 for an average-sized pre-1940 California house, which is a return at a more predictable time when the individual sells the home, rather than only if an earthquake happens.

Dr. Porter stated individuals can protect their family and property while not throwing away their money to protect a future owner because fortifying homes against natural disasters, including seismic resilience, increases the resale value.

Dr. Porter stated no study does everything; good studies always raise new questions. He stated his team is currently interested in gathering a larger sample size from a different time period, and paying closer attention to the effect of local retrofit ordinances. He stated, although retrofitting correlates with high sale prices, that does not necessarily mean that the retrofit caused the increase. The team is interested in talking to sellers' agents to learn how the listing price was determined and to buyers to learn what they were thinking when they bid on the house in order to learn about causation.

Dr. Porter stated a former California Mayor stated, “Data like this makes it easier for policy members to adopt ordinances requiring retrofits because it undercuts some of the complaints about cost impacts. Granted, the benefit is delayed until home sale, but the 17 percent increase is not insubstantial.”

Dr. Porter stated the grey lining to this silver cloud is that, even if market forces lead to an increase in seismic retrofits, it will tend to benefit individuals who can most afford it and will leave behind the individuals who cannot afford either the retrofit or the earthquake damage.

Discussion

Ms. Maffei asked if the return on investment of seismic retrofits will impact rental properties.

Dr. Porter stated there is evidence that individuals lease more quickly when offered resilience features. It is an incentive to owners of rental properties to do seismic retrofits. This requires a research study that focuses on apartment buildings rather than on single-family dwellings.

Ms. Bollinger asked about the number of retrofitted homes that had additional remodeling or upgrades put into them prior to resale and how to account for them.

Dr. Porter stated the team controlled for that by searching for other remodeling terms and including remodeling as a variable. It has its own coefficient that is somewhat lower than seismic retrofit and is less relevant to the sale price.

Chair Johnson asked about the report.

Dr. Porter stated the report is published in Natural Hazards Review. He stated he will send a copy to Ms. Maffei to distribute to the Board.

Chair Johnson asked if Zillow and MLS are considering resilience as a factor in their listings.

Dr. Porter stated he was unaware if Zillow considers resilience features. First Street Foundation includes fire and flood factors but has yet to be adopted by real estate databases.

Public Comment

No public comment.

8. 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.

9. Adjournment.

Chair Johnson stated she resigned from the CEA earlier this year. This will be her last meeting. The CEA is creating a new role, which will be a combination of oversight of insurance operations and claims. Chair Johnson has offered to stay on during the recruitment and transition period. She thanked Board Members and staff for their work. She also thanked Cal OES and stated the Joint Powers Agreement between the CEA and Cal OES is

testament of the great things that can happen when two agencies come together and use their unique tools in a combined way for such public good.

Ms. Maffei thanked Chair Johnson for her work and stated she looked forward to working with her in the future.

Vice Chair Nezhura congratulated Chair Johnson on her new position and stated it has been an honor to serve together. She wished her well in her future endeavors.

MOTION: Chair Johnson moved to adjourn the May 30, 2023, California Residential Mitigation Program Governing Board meeting. Vice Chair Nezhura seconded. Motion carried unanimously.

There being no further business, the meeting was adjourned at 1:51 p.m.