

***As approved by the Governing Board on Tuesday, November 19, 2024.***

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

**August 27, 2024  
1:00 p.m.**

**Location:** Wells Fargo Building  
400 Capitol Mall  
Suite 670, 6<sup>th</sup> Floor  
Sacramento, CA 95814

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

Attendance:

Lori Nezhura, Chair  
George Sittner, Vice Chair  
Tracy Palombo  
Eric Swanson

Members of the CRMP Staff in Attendance:

Janiele Maffei, Executive Director  
Mark Grissom, Program Manager  
Jennifer Hogan, Managing Director  
Benjamin Kirwan, Treasurer  
Seth Merewitz, Counsel  
Suman Tatapudy, Secretary  
Maura White, Program Analyst  
Jasmine Castro, CRMP Staff

**1. Call to order and member roll call.**

Chair Nezhura called the meeting to order at 1:03 p.m. A quorum was achieved.

**2. Consideration and acceptance of appointment letter designating Tracy Palombo, CEA Reinsurance and Risk-Transfer Director, as a member of the CRMP Governing Board.**

Chair Nezhura presented the letter for designation of Tracy Palombo, Reinsurance and Risk-Transfer Director, CEA, to act for Governing Board Member Tom Welsh, Chief Executive Officer, CEA, at meetings of the Governing Board beginning August 27, 2024.

Chair Nezhura welcomed Tracy Palombo to the CRMP Governing Board.

**3. Consideration and acceptance of appointment letter designating Eric Swanson, Cal OES Deputy Director of Finance and Administration, as a member of the CRMP Governing Board.**

Chair Nezhura presented the letter for designation of Eric Swanson, Deputy Director of Finance and Administration, California Governor's Office of Emergency Services (Cal OES), to act for Governing Board Member Jennifer Bollinger, Chief Counsel, Cal OES, at meetings of the Governing Board beginning August 27, 2024.

Chair Nezhura welcomed Eric Swanson to the CRMP Governing Board.

**4. Consideration and approval of the minutes of the June 4, 2024, CRMP Governing Board meeting.**

There were no questions from Governing Board Members and no public comment.

**MOTION:** Vice Chair Sittner moved to approve the June 4, 2024, minutes of the California Residential Mitigation Program Governing Board. Mr. Swanson seconded. There was no public comment on the motion. The motion passed unanimously by roll call vote.

**5. CRMP independent auditors, Plante Moran, PLLC, will present the Report of Audit on CRMP Annual Financial Statements (2023) and Single Audit (2023).**

Brendan MacKinnon and Colin Feguer, 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.

There were no difficulties in performing the audit and no disagreements with management. 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 2023, 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.

There were no questions from Governing Board Members and no public comment.

## **6. CRMP Treasurer Benjamin Kirwan will review the CRMP financial statements as of June 30, 2024.**

CRMP Treasurer Benjamin Kirwan reviewed the CRMP financial information as of June 30, 2024.

Balance Sheet:

- Assets
  - The Cash and Cash Equivalents Line Item is approximately \$4.5 million.
  - The Accounts Receivable Line Item is approximately \$8.5 million.
- Liabilities and Fund Balance
  - The Accounts Payable and Accrued Expenses liability Line Item is approximately \$175,000, \$160,000 of which is related to administrative and operating expenses.

Statement of Revenues, Expenditures, and Changes in Fund Balance:

- Revenues
  - Contributions from other governments of approximately \$8.8 million of reimbursed retrofit payments were issued.
- Expenditures
  - The largest expenditures were grants to homeowners of \$8.5 million and marketing services/program education of \$224,000.

Budgeted Expenditures and Actual Expenditures:

- Revenue
  - FEMA programs are well under budget at approximately \$8.7 million.
- Grants to Homeowners
  - FEMA 4407 ESS was budgeted at \$2.25 million for eligible retrofits. The program should be up and running in the next couple of months.
  - The CEA was awarded two \$20 million for the Building Resilient Infrastructure and Communities (BRIC) grant programs from the state of California. Costs

are anticipated to be incurred later this year related to getting these programs up and running.

Mr. Kirwan stated the 2025 budget will be presented at the next CRMP meeting.

#### Discussion

Ms. Palombo asked about the driving factor for being so under budget.

Managing Director Jennifer Hogan stated program registration is offered in January; individuals have 90 days to submit their paperwork and often ask for time extensions. Retrofit activity typically begins to pick up around July.

#### Public Comment

There was no public comment.

### **7. CRMP Executive Director Janiele Maffei will present her executive report.**

Ms. Maffei stated the growth of the retrofit program is due to the fact that the Loss Mitigation funding has been leveraged with FEMA funding through Cal OES.

Ms. Maffei stated the Multi-Family Soft-Story (MFSS) Retrofit Grant Program has been changed to the Earthquake Multi-Unit Retrofit (EMR) Grant Program. She provided a slide presentation overview of the challenges, Building Selection Framework, qualified location, compliance, structure, and priority ranking. She stated the need to find the right model code for the EMR Grant Program for code-complied retrofits. Los Angeles and San Francisco have adopted different standards. Northern California's standards are more rigorous. Staff has asked the Existing Building Committee of the Structural Engineers Association of California (SEAOC) to write a white paper recommendation for the seismic design requirements that should be used throughout California for the EMR Grant Program. A pilot program will be located in one of eight counties identified in the approved FEMA application in cities with a mandatory ordinance.

#### Discussion

Vice Chair Sittner stated his assumption that the CEA and Cal OES are jointly responsible. He cautioned that going into multi-unit soft-story may create a larger exposure. He suggested raising the \$3 million umbrella policy for protection.

Chair Nezhura stated the CRMP Governing Board had a good conversation at the June 6, 2024, CRMP meeting about the different building codes and how Northern California differed from Southern California. It would be helpful to new Governing Board members to review the minutes from that meeting.

Excerpt from pages 3 and 4 of the June 6, 2024, CRMP Governing Board meeting minutes:

Ms. Maffei noted that there are issues with the seismic design criteria. The seismic design criteria chosen is important for these dangerous buildings. She stated the need to comply with the International Building Code and the California Building Code for new and existing buildings. When mandatory soft-story ordinances came out, the building departments in those cities looked for the model code required to retrofit soft-story buildings. Many cities have elected to

call for the use of the 2012 Existing Building Code for the American Society of Civil Engineering (ASCE) 41, which is a separate document that was designed for the retrofit of existing buildings, or the FEMA P 807, which was designed specifically for multi-family wood-frame soft-story buildings. These are complete seismic designs but it is important to note that cities, such as the city of Los Angeles and other cities in Southern California, have adopted something outside of these three model codes.

Ms. Maffei stated, because of the use of several codes in Northern and Southern California, FEMA did a study, FEMA P 807-1, of those various codes and included modified requirements for the city of Los Angeles and Southern California, to find an appropriate seismic design criteria for these soft-story retrofits. The study was published in September. One of the main findings was that many cities in Northern California, such as San Francisco, require that the entire first or ground story be considered and addressed, whereas many cities in Southern California, such as Los Angeles, allow retrofits to directly mitigate the open-front or open-line vulnerability without strengthening the entire story. This description makes it sound like Los Angeles is doing less of a retrofit.

Ms. Maffei stated the FEMA P 807-1 recommends that a full-story retrofit be required, where practicable, which typically means where it is affordable. She stated, since the CRMP is bringing funding to these building owners, the term “where applicable” will be carefully considered; however, it is not within the CRMP’s purview to determine the design criteria. She stated, in light of the recent publication of FEMA P 801-1, the CRMP has requested that the Existing Building Committee of the Structural Engineers Association of California (SEAOC) write a white paper with recommendations for the seismic design requirements for the MSS program.

Mr. Swanson asked if SEAOC has provided an estimated timeline for their response to the CRMP request.

Ms. Maffei stated the SEAOC white paper is expected this week. She stated she plans to attend the next Existing Building Committee meeting where they will discuss the white paper with her.

Mr. Swanson asked if conflicts are expected when approaching Southern California with the higher standard model requirement.

Ms. Maffei stated she will refer them to the SEAOC white paper that recommends the higher standard model because it has a lower probability of collapse. In order to participate in the EMR Grant Program, all retrofits will be required to adhere to the higher standard model.

Vice Chair Sittner stated the higher standard model is significantly different from what Southern California had adopted and it comes at a significantly higher cost.

Chair Nezhura asked about the amount of the average retrofit grant considering this significantly higher cost.

Ms. Hogan stated she will cover this in her presentation for Agenda Item 8.

Mr. Swanson asked if the Social Vulnerability Index is determined by ZIP Code.

Ms. Hogan stated it is determined by census tracts. Focus areas have a moderate to very high Social Vulnerability Index for census tracts within the eligible counties within cities that have mandatory ordinances.

#### Public Comment

There was no public comment.

### **8. CRMP Managing Director Jennifer Hogan will present the CRMP Mitigation (Earthquake Brace + Bolt) 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 26,000 retrofits have been completed to date.
- Approximately 21,000 homeowners registered for the 2024 EBB Program cycle.
- Approximately 8,000 registrants are on the waitlist.
  - 3,500 homeowners are being accepted every six weeks.
  - All registrants are expected to be accepted into the program by December 1<sup>st</sup>.
- The 2025 EBB registration period will be from January 8, 2025, through February 19, 2025.
  - The over 400 remaining ZIP Codes in the 26 eligible counties that were included in the FEMA application will be added to the 2025 EBB Program.

#### Future Funding Opportunities

- Hazard Mitigation Grant Program (HMGP) DR-4750 (Hurricane Hillary)

A \$5 million EBB application was submitted to Cal OES on June 10<sup>th</sup>.

- HMGP DR 2022-23 (early winter storms)

The CRMP previously submitted a \$5 million EBB grant application to Cal OES. Cal OES submitted the application to FEMA for review in April. It is currently under FEMA review.

#### 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.

- The \$5 million grant is expected to fund approximately 350 retrofits.
- This program had a large withdrawal rate, which is not inconsistent with other new programs. There are currently 71 active applications.
- FEMA began approving applications on July 1<sup>st</sup>.
- No retrofits have yet been completed although there are a couple that are close.
- The 2024 ESS registration period will open on October 15<sup>th</sup> and will be left open with quarterly acceptance.

#### New EMR Grant Program

- The Phase 1 awards for BRIC 2021 and 2022 were awarded in April 2024 at \$20 million each for a total of \$40 million.
- The proposed launch date is March of 2025.
- The project scope is to seismically retrofit up to 1,500 residential buildings with 5 to 10 units with a wood frame construction in Los Angeles, Alameda, and Contra Costa Counties, with the BRIC 2022 additionally including San Francisco, San Diego, San Bernardino, San Mateo, and Kern Counties.
- Priority will be given in cities with a mandatory seismic ordinance to areas with moderate to high SVI scores.
- The program will provide up to \$7,000 or 70 percent of the cost of designing the retrofit and up to \$4,260 per unit for construction costs. This represents approximately one third of the cost of the retrofit.

#### Staffing Update

Ms. Hogan stated D'Anne Ousley, Communications Specialist, retired in August after nearly 15 years at the CEA/CRMP. She welcomed Sheri Pierce, Program Outreach Coordinator and Public Information Officer (PIO), to the CRMP team.

#### CRMP Insurance Renewal

Ms. Hogan stated the liability insurance was renewed on August 15<sup>th</sup>. She noted that the increased premium was largely due to the increased program expenditures.

#### Discussion

Ms. Palombo asked to include an update and discussion on options for insurance at the next CRMP meeting. She asked if the increased premium included anticipated new programs.

Ms. Hogan stated it did not. She noted that staff will be discussing this issue with the insurance broker.

Chair Nezhura asked about the number of qualifying homes in the 400 ZIP Code areas to be included in the 2025 EBB Program cycle.

Ms. Hogan stated the target density is typically 80,000 to 100,000 pre-1940 homes. These 400-plus ZIP Codes represent approximately 40,000 pre-1940 homes, which

highlights the importance of going back with great advertising to areas where the programs have already been available.

Vice Chair Sittner asked about staff capacity to manage the administration of the new EMR Program.

Ms. Hogan stated it is anticipated to be challenging. Additional staff may be necessary.

Vice Chair Sittner suggested that CEA and Cal OES staff possibly assist CRMP staff due to the seasonal nature of the retrofit program.

Chair Nezhura asked about the most common reasons that individuals withdraw from the retrofit program.

Ms. Hogan stated the top reasons are the cost and the fact that life gets in the way.

Vice Chair Sittner asked about the percentage of individuals who qualify for the Supplemental Grant Program.

Ms. Hogan stated individuals self-register and often mistakenly feel they meet the requirements.

#### Public Comment

There was no public comment.

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

David Bonowitz, Structural Engineer, stated he is a consultant to several cities that have multi-unit soft-story programs. He stated what he has been hearing so far about the EMR Grant Program is fantastic. He applauded the decision to focus on cities that have mandatory programs and stated it will help with liability insurance and will make everything run a lot smoother.

Mr. Bonowitz spoke in support of focusing on the entire first or ground story, although he stated he was not sure that what Northern California is doing should be called a “higher” standard but “the” standard. It is the model building code that is part of the state of California’s existing building code. What they are doing in Southern California is a “low” standard and is now shown by the FEMA study to be, in some cases, an inadequate standard. Using “the” standard for all of California is the right decision.

Mr. Bonowitz stated social vulnerability maps are problematic because they often find the wrong buildings and miss the right buildings. Many cities now have rent registries. He asked if staff has considered using rent registry data. It is a way to help find the most vulnerable tenants. He stated he is willing to talk more about this offline.

Mr. Bonowitz suggested including Santa Clara County in the next program registration.

Ms. Maffei stated there may not be sufficient building owners to exhaust the funds when registration opens in March, in which case, like with EBB and ESS, reopening will be possible to expand territories.

Mr. Bonowitz stated that would be great, and the sooner and better. It is interesting that the program has covered all of the largest cities in California except for San Jose.



## **10. Adjournment.**

There being no further business, the meeting was adjourned at 2:27 p.m.