



**City and County of San Francisco
GreenFinanceSF – Commercial Program
REQUEST FOR PROJECT APPLICATIONS**

VIA EMAIL

The City and County of San Francisco (the “City”) is seeking project applications from owners of commercial properties located within the City to participate in the commercial segment of its citywide energy- and water-improvement financing program (“Program”) known as GreenFinanceSF (GFSF).

Applications from property owners will be accepted on a rolling basis with the expectation that all qualified applications will be approved on a first-come, first-served basis. Applicants wishing to utilize the City-funded Debt Service Reserve Fund (DSRF), and/or wish to have other program fees covered by limited grant funds, should apply for consideration as soon as possible before such funds are exhausted or committed. The application process begins with property owners submitting their project proposals utilizing the attached Initial Application form.

Purpose

The purpose of GreenFinanceSF is to give property owners access to a new form of financing for the acquisition and installation of energy efficiency, water conservation and renewable energy improvements to or on real property and in buildings (the “Facilities”). The Program helps to reduce major barriers to making clean energy upgrades – such as the large upfront costs or the lack of access to project financing at attractive rates – that prevent many property owners from investing in these types of improvements. Through GFSF, property owners can reduce their operating costs, improve occupant health and comfort, and reduce negative environmental impact.

Two-step Application Process

Given the long lead times associated with commercial retrofit projects and the associated costs for property owners to plan such projects, the GFSF application process is broken into two steps:

Step 1: Submit an Initial Application – a lightweight process for property owners to quickly indicate their interest in participation and to submit preliminary details of their proposed project. This gives the Program the ability to promptly ascertain project eligibility and issue a *Conditional Reservation* to owners that meet program requirements. The Initial Application allows a property owner to request an allocation from the Debt Service Reserve Fund, if desired. The Initial Application form is attached.

Step 2: Submit a Final Application – a more involved subsequent process that requires the property owner to complete all related planning and application tasks, including conducting an energy audit (if applicable), obtaining existing mortgage holder consent/acknowledgment, and identifying a project lender. Upon review and approval of the complete Final Application, the Program will issue a *Final Reservation*, including any necessary adjustments to the reserved allocation from the DSRF, based on any refinements that have occurred (since issuance of the Conditional Reservation) to project scope and desired financing amount.

Applications can be downloaded from www.greenfinancesf.org.

Description of Financing

The San Francisco Board of Supervisors and Mayor have previously established an “opt in” special tax financing district under the City’s Special Tax Financing Code (the “Code”) to fund energy efficiency, water efficiency and renewable energy improvements for privately owned properties. This Request for Project Applications is strictly for the commercial properties choosing to participate in the Program.

Under GreenFinanceSF, qualifying property owners within the City are able to obtain financing for energy and water efficiency and renewable energy retrofits of their buildings in exchange for agreeing to repay those funds as an added special tax on their property tax bill.

A parcel or parcels within the City may be annexed to the special tax district and subjected to the special tax only with the Unanimous Approval of the owner(s) of such parcel(s) at the time of annexation or pursuant to other procedures established by the Code.

Although not necessary for the Initial Application, a complete Final Application requires that a property owner identify a project lender that is willing to finance the owner’s project and accepts the Program’s security and payback mechanism. There are several aspects that make this a particularly appealing opportunity for project lenders, including:

- The entire property acts as collateral for the special tax obligation, as opposed to just the project equipment/materials or the property owner’s credit.

- GFSF special taxes have seniority over any mortgage or other type of debt on the property.
- Any delinquent property taxes must be paid in full upon sale of the building.
- The City is setting up a grant-funded Debt Service Reserve Fund as a credit enhancement for project lenders for this purpose (see below).

The interest rate and other financing terms will be negotiated between the property owner and the project lender. The financing is payable from the levy and collection of special taxes on the participating property by the City, then remitted to the project lender. The project lender must, therefore, be comfortable with receiving payments according to the property tax payment schedule (twice a year: November 1st and February 1st). The special taxes will be levied beginning in the first fiscal year in which a parcel annexes to the special tax district and in each fiscal year thereafter until payment in full of any funds provided by the project lender for the participating property plus all costs of administering the special tax district for any such parcel(s).

The City will allocate an initial amount of up to \$372,600 (received from the U.S. Department of Energy through the American Recovery and Reinvestment Act) into a Debt Service Reserve Fund (DSRF) for credit enhancement to support GreenFinanceSF project lenders. The DSRF will help cover payments to the project lender in the case of delinquencies or defaults by the property owner, thus reducing lender risk. The reduced risk offered by the DSRF is intended to enable project lenders to offer better terms and rates, and broader access to financing. Property owners and their project lenders will be automatically allocated a standard share of the DSRF equal to 10 percent of the amount financed through the Program, up to a maximum DSRF allocation of \$100,000 (which, at 10 percent coverage, would support financing of a \$1 million project). The Program will consider requests for DSRF allocations above \$100,000 on a case-by-case basis, as well as requests for more than the standard 10 percent. Property owners and their project lenders also have the option to decline an allocation from the DSRF if they so wish.

Program Process Flow

Figure 1, below, shows a sample process flow of the Program (the steps are numbered to further illustrate flow and interaction). It shows the significant stages for both the property owner that applies to the Program, and for the Program in response to the property owner submissions. Given the complexities of a commercial financing, the process flow below is provided for illustrative purposes only. The City recognizes that ultimately the process flow for any particular project may look very different given program, property owner and lender needs.

Figure 1 -- Program Process Flow



Scope of Project Application

Project proposals from property owners must be submitted using the attached Initial Application form, and must include all information requested in the form.

Property Owner Requirements

The property owner must:

- Meet Program eligibility requirements.
- Complete and submit an Initial Application form and a Conditional Reservation before proceeding to second application step.
- Complete and submit a Final Application with the associated required tasks completed, including:
 - Conduct applicable energy audit on the property (if applicable).
 - Find a project lender willing to finance the proposed project.
 - Obtain existing mortgage holder consent/acknowledgment for owner participation.

For more information about property owner application requirements, please refer to the attached Initial Application form and the Program Handbook.

Project Lender Requirements *(note: not required until Step 2 of application process)*

The project lender must:

- Be a “qualified investor” (See Program Handbook for definition).
- Agree to finance the property owner’s project.
- Agree to the Program’s security and repayment mechanism (i.e., special taxes) and the terms of the City’s bond documentation.
- Finalize financing details with property owner (e.g., interest rate, term, fees).
- Determine how much of the Debt Service Reserve Fund, if any, is required for credit enhancement (the standard Program allocation is 10 percent of financed amount, subject to availability).
- Be prepared to execute applicable agreements upon final approvals.

Application Submittal

Applications may be submitted immediately and Conditional Reservations will be issued on a rolling basis until such a time as the City determines to change Program terms or discontinue offering the Program.

Application Selection

This Request for Project Applications does not commit the City to select an application or provide financing to a project. The City will not pay any costs incurred in the preparation of an application. Only written applications will be considered. The City reserves the right to reject any or all applications without further discussion or negotiations, and may waive technical errors or discrepancies if to do so would serve the interest of the City. Prior to providing financing to a property, the City reserves the absolute right to terminate any and all expressed or implied agreements and arrangements between the City, property owner and project lender with respect to the financing proposed by the property owner. The City will not be responsible for any costs or fees incurred by parties that apply to receive financing through the Program. Neither submission of an Initial Application, issuance of a Conditional Reservation or issuance of a Final Reservation is a guarantee of project

financing. The City will determine eligibility for the Program but availability of financing is subject to the approval of each property's selected project lender.