



Program Handbook

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Overview

Introduction

The City and County of San Francisco created the GreenFinanceSF (GFSF) financing program (the “Program”) to give residential and commercial property owners access to a new form of financing for the installation of energy efficiency, renewable energy, and water conservation improvements. The anticipated benefits of completing such property improvements include reduced operating costs, increased property value, improved occupant health and comfort, reduced environmental impact, and support for the local economy.

Whereas the residential portion of the program has been suspended until issues with the Federal Housing Finance Agency (FHFA) are resolved, the commercial program is proceeding and is the focus of this Program Handbook.

Nature of this Program Handbook

This handbook details the Program Terms governing all Program participants, including property owners and lenders. By submitting an Initial Application, applicants warrant that they have read this handbook in its entirety, and that they understand and agree to the terms set forth herein.

Type of Financing

GreenFinanceSF is a Property Assessed Clean Energy (PACE) financing program. PACE is an innovative type of secured financing program that provides funding for energy efficiency, renewable energy, and water conservation improvements to privately owned buildings. Under GreenFinanceSF, a property owner elects to annex its property to a Special Tax District created by the City and to pay special taxes to the City, the City sells a bond payable from the special taxes to a qualified investor, and the City uses the proceeds of the bonds to finance the improvements to the taxable property. The special tax is collected on the property tax bill.

Source of Capital

GreenFinanceSF is using the “open-market” PACE model in which individual **property owners are responsible for identifying a project lender willing to fund their project**. Property owners negotiate specific financing terms, including the interest rate and repayment terms, with their chosen project lender, using the priority of GreenFinanceSF’s special tax lien to provide the lender greater security. The City collects special taxes from participants and disburses the payment to the project lender.

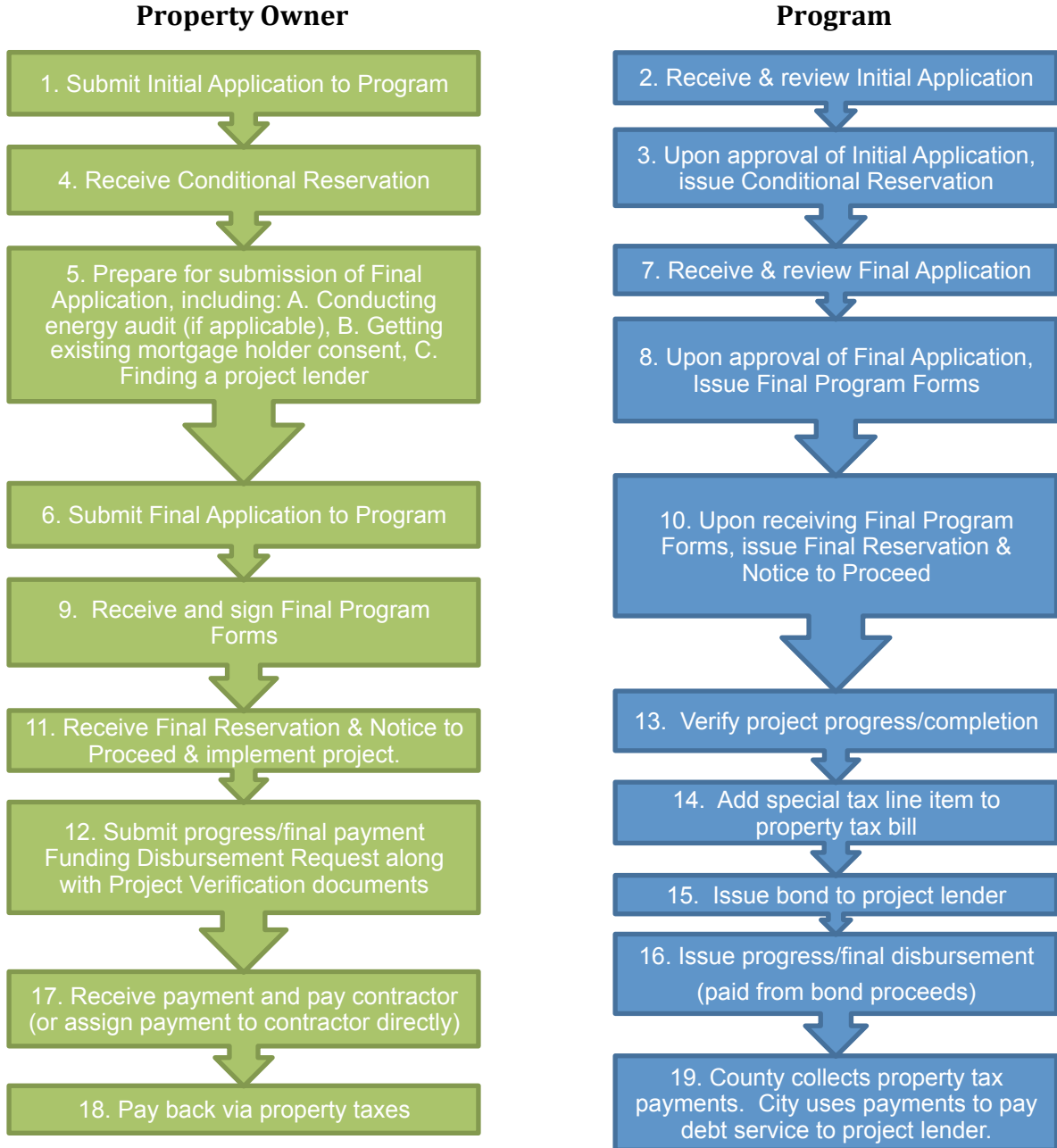
Security

The special tax obligation is secured by a senior lien on the property. The City is providing an option to enhance the security of GFSF financing by using U.S. Department of Energy (DOE) American Recovery and Reinvestment Act (ARRA)

grant funds to establish a Debt Service Reserve Fund (DSRF). The DSRF will help cover payment to lenders in the event of special tax delinquencies by the property owner. See Chap. 7 “Application and Approval Process” below, for more information on the DSRF.

Program Process Flow

The illustration below summarizes the Program’s process flow. It shows the significant milestones for both the property owner and the Program (the steps are numbered to indicate interaction).



The Program Process Flow may vary from project to project.

1. Eligible Properties

In order to participate in the Program, a property owner must meet and/or complete the following requirements and steps:

- a. The property to be improved with the Authorized Improvements (the “subject property”) must be located in the City and County of San Francisco, and must be eligible to pay property taxes.
- b. The subject property must be non-residential property as defined as (i) a property the primary use of which is not residential and (ii) a property used for multi-family housing with five or more units.
- c. The property owner must provide written notice of the proposed senior lien to any and all lenders with existing liens on the subject property, and must obtain the written consent/acknowledgment of existing lenders; the Program will provide templates for this purpose but it is the property owner’s responsibility to obtain the consent/acknowledgement of all lenders/lienholders. The owner must submit a copy of the lender’s written consent/acknowledgment with the Final Application.
- d. All owners of the fee simple title to the subject property or their legally authorized representatives must sign the Program Documents. Therefore, before submitting an initial application, please ensure that all owners (or their representatives) of the fee simple title to the subject property will agree to participate in the Program on the terms set forth in this Program Handbook.
- e. The property owner must have a professional energy and/or water audit conducted on the property that correspond to the types of Authorized Improvements the owner is seeking to finance, and those Authorized Improvements must appear as identified opportunities or recommendations within the resulting audit report. The Program reserves the right on a case-by-case basis to review and approve Improvements that do not appear as an identified opportunity or recommendation within the audit report. For the initial phase of the Program, the following audit and project requirements will apply as outlined below:
 - i. If the property owner wishes to finance energy efficiency measures and/or a renewable energy project through the Program, the owner must hire a professional energy auditor, with the appropriate skills and experience, to complete the appropriate type of energy audit.

- ii. The property owner must complete a free Water-Wise Evaluation through the program administered by the San Francisco Public Utilities Commission, unless the energy audit scope already includes a review of water conservation opportunities.
 - iii. If a renewable energy system is financed, the property owner must also implement energy efficiency measures resulting in a 10% improvement in building energy performance.
- f. The property owner will be encouraged or required (as described below) to participate in appropriate state and City incentive programs to the extent the subject property is eligible for such programs at the time of application. For example, property owners planning to finance the installation of a solar photovoltaic (PV) system will be required to participate in the California Solar Initiative (“CSI”) rebate program (if available) and the GoSolarSF incentive program (if available) with respect to the subject property. Property owners will also be required to participate in similar incentive programs for solar thermal (hot water) systems. Property owners will be encouraged (but not absolutely required) to participate in other utility rebate and incentive programs (if available) that cover the Authorized Improvements, but may elect not to do so if they agree to pay additional fees to cover project review and on-site inspections. See Chap. 6 “Participation in Rebate/Incentive Programs” below.
- g. The financed improvements must be Authorized Improvements and must be installed by a Qualified Contractor. See Chap. 2 “Eligible Property Improvements” below.
- h. The property owners must agree to provide the City with access to the property’s utility usage information to enable the Program to monitor energy savings. The owner must further agree to participate in surveys and Program evaluations directed by the City.
- i. The property owner must enroll in the free online energy use benchmarking service called “ENERGY STAR Portfolio Manager.” The City may further recommend or require participation in other low- or no-cost energy usage tracking systems so owners have access to the raw data necessary to determine if the installed improvements are delivering the expected energy and cost savings. (Determining whether or not installed improvements are meeting projections is encouraged, but may require additional analysis by professionals and any such additional services would be the responsibility of the owner).
- j. The property owner must certify that it (and its corporate parent if the property owner is a single-purpose entity) is solvent and that no proceedings are pending or threatened in which the property owner (or

the corporate parent, as applicable) may be adjudicated as bankrupt or become the debtor in a bankruptcy proceeding, or discharged from all of the property owner's (or corporate parent's, as applicable) debts or obligations, or granted an extension of time to pay the property owner's (and the corporate parent's, as applicable) debts or subjected to a reorganization or readjustment of the property owner's (and the corporate parent's, as applicable) debts. The property owner must also certify that the property owner (or any corporate parent if the property owner is a single-purpose entity) has not filed for or been subject to bankruptcy protection in the past three years.

- k. The property owner must be current in the payment of all obligations secured by the subject property, including property taxes, assessments and tax liens, within the past 3 years (or since taking title to the subject property if it has been less than 3 years). The City may review public records, including the real property records, to verify compliance with this requirement. Certain allowances may be made for property tax payment delays that do not reflect financial distress. Properties that are currently appealing a property tax assessment will be reviewed and eligibility will be determined on a case-by-case basis.
- l. There must be no notices of default or foreclosure, whether in effect or released, due to non-payment of property taxes or loan payments filed against the subject property within the last 5 years (or since ownership, if less than 5 years). Exceptions may be granted on a case-by-case basis.
- m. The property owner must not have any involuntary liens, defaults or judgments applicable to the subject property. The City may review public records, including the real property records and court documents, to verify compliance with this requirement. A property owner with an involuntary lien(s) may be allowed to participate in the Program if it can demonstrate an acceptable reason for the lien, default or judgment and a path for resolution along with supporting documentation. A property with an involuntary tenant's lien will be reviewed and eligibility will be determined on a case-by-case basis.
- n. The value of the property (based on current assessed value, appraised value determined by a City-approved appraiser within 90 days of Program application, or market value calculated according to a method identified by the City) plus the value of the Authorized Improvements financed by the Program must be equal to or greater than the sum of (i) the total private property debt including mortgages and equity lines of credit secured by the property, (ii) the principal amount of any Program indebtedness attributable to the property, and (iii) the aggregate principal amount of any fixed assessment liens or other special tax debt on the property.

- o. The property owner must certify that the property owner is not party to any litigation or administrative proceeding of any nature in which the property owner has been served, or is pending or threatened which, if successful, would materially adversely affect the property owner's ability to operate its business or pay the special taxes when due, or which challenges or questions the validity or enforceability of the Unanimous Approval or any other documents executed by property owner in connection with the Program.
- p. The Program involves issuance of bonds by the City on behalf of the Special Tax District. Therefore, it is important that property owners pay their special taxes and other property-related obligations in full on a timely basis. Consequently, the City reserves the right to request additional information in its sole discretion and to deny applications based on any information that reflects on the likelihood that a property owner may not pay special taxes.

2. Eligible Property Improvements

In general, in order for property improvements to be eligible for financing through the Program, they must have a useful life of five years or longer, be attached to the real property or building and have the capacity to reduce energy or water usage, or generate clean power for the property.

Eligible Measures that have been identified by the property owner in their Final Application and approved by the Program in the Final Reservation are described as "Authorized Improvements."

Common Measures

The Program has an extensive list of common energy efficiency (EE), energy generation (Gen), and water conservation (WC) property improvements (or measures) that are eligible for financing, which can be found in the separate Eligible Measures List document organized by these categories. The measures are further organized into system and subsystem groupings for easier navigation within the list. The list also contains each measure's estimated effective useful life, performance guidelines, and applicable incentive programs.

Custom Measures

The Program will also consider, on a case-by-case basis, other measures (custom measures) that do not appear in the Eligible Measures List. Such custom measures will require additional technical review by the Program if they are not covered by an incentive program that approves them, likely at additional cost for the applicant. See Chapter 6 "Participation in Rebate/Incentive Programs", below, for more information about incentive programs.

Ineligible Measures

Measures that are not attached to the real property or building and can be easily removed are not eligible for financing through the program (e.g., screw-in fluorescent light bulbs). Any measures that cannot be explained in terms of industry-standard engineering or scientific principles are also not eligible. See the *Ineligible Measures* page of the Eligible Measures List for a short list of what is ineligible.

Loading Order Requirement

Because the Program is receiving grant support from the California Energy Commission (CEC) State Energy Program, **property owners are required to meet a 10% loading order requirement when seeking to install eligible on-site renewable energy systems.** The Program requires an ASHRAE Level 2 audit to demonstrate compliance with the loading order requirement when applicable.

The basic idea behind the loading order is that before installing a renewable energy system, the property should first reduce its total energy demand – in this case, by 10% – by implementing energy efficiency measures identified in the energy audit. The reasoning behind this is that energy efficiency measures are typically less expensive on a per kWh basis (i.e., cost per kWh saved through efficiency is less than the cost per kWh generated through renewable energy). Further, decreasing energy demand usually makes it possible to decrease the size (and cost) of the desired renewable energy system.

Responsibility for Authorized Improvements

The Program is a financing program only. By establishing the Eligible Measures List, the City is not recommending or warranting any particular improvements. Neither the City nor the Administrator is responsible for the measures or their performance.

Property owners are solely responsible for the measures installed on their property. Should there be any unsatisfactory performance or other system-related issues that arise during or after installation, the property owner must address those directly with the responsible contractor according to the terms of the contract between the two parties.

Minimum and Maximum Project Funding

The City requires a minimum funding request of \$50,000. The City will only authorize funding requests in an amount equal to the final cost of installing the Authorized Improvements (including the energy audit fee) less State, City and Utility rebates plus the additional items identified in Chapter 12 “Financing Cost; Interest Rate”, below. The funding limits are per property per financing request. Maximum funding limits will also be limited to the property valuation as described in Chapter 1 “Eligible Properties”, particularly provision (n), above. Property lenders may impose additional minimum and maximum project funding requirements.

3. Eligible Contractors

Qualified Contractors

There are two primary types of contractors that may participate in the Program: auditors and installation contractors.

Selecting an Energy Auditor

The commercial building energy audit market is fragmented, with no universally accepted standards for auditors. Although the Program does not endorse specific auditors or accreditation programs, it has compiled some recommendations for selecting a quality energy auditor and getting a suitable energy audit conducted on the subject property. See Appendix A – Guidance for Selecting Energy Auditor and Appendix B – Energy Audit Types for more details.

Selecting an Installation Contractor

The Authorized Improvements must be installed by contractors who meet the eligibility criteria set forth for the specific category of work being financed. If you choose to work with a contractor that does not meet the eligibility criteria listed below, you are not eligible for Program financing:

- Energy efficiency measures must be installed by licensed contractors.
- Solar PV and water heating projects must be installed by a licensed contractor on the California Solar Initiative list.
- Water conservation measures must be installed by a licensed contractor.

The City encourages you to do your research and receive bids from multiple contractors before signing a contract. Neither the City nor the Program Administrator is responsible for determining the appropriate equipment, price or contractor for your property. By establishing these contractor eligibility criteria, the City is not recommending a particular contractor or warranting the reliability of any such installer. The Program is a financing program only. Neither the City nor the Program Administrator will participate in the resolution of any dispute between you and your installer or equipment manufacturer.

4. Eligible Project Lenders

Lenders must be qualified to purchase a municipal bond as detailed in the Bond Purchase Contract, a sample of which can be provided upon request. Generally, basic qualification criteria includes that the lender is one of the following:

- a. An “accredited investor” as defined by Rule 501(a) promulgated under the Securities Act of 1933; or
- b. A “qualified institutional buyer” as defined in Rule 144A under the Securities Act of 1933; or
- c. A bank, savings institution or insurance company; or
- d. A certain trust, custodial or similar arrangement conforming with Section 7(iv) of the Sample Bond Purchase Contract.

5. Energy & Water Audits

Energy Audits

The Program requires properties seeking to finance energy efficiency or renewable energy measures through the Program to receive an energy audit conducted by a professional energy auditor of the owner’s choice and at the owner’s cost. That auditor must meet Program eligibility requirements. Note that the cost of the energy audit can be included in the financing.

The measures for which the property owner is seeking financing must appear as identified opportunities or recommendations within the resulting audit report. The Program reserves the right on a case-by-case basis to review and approve measures that do not appear as an identified opportunity or recommendation within the audit report.

The type of energy audit required by the Program depends on the total project cost:

- Projects expected to cost **less than \$100,000** may obtain and use the results of an ASHRAE Level 1 audit to determine any potential improvements and associated work scope. Property owners must be aware, however, that the GFSF Final Application requires the submission of the “Energy and Cost Savings Analysis Template” to fully demonstrate the cost and energy savings potential for a proposed project. That analysis should be comparable in technical rigor (i.e. development of projected energy savings, cost savings, and project costs) to an ASHRAE Level 2 audit.
- Projects with projected costs **equal to or more than \$100,000** must obtain and use the results of an ASHRAE Level 2 audit to determine the potential improvements and work scope.

Renewable energy projects must provide an audit that clearly demonstrates how the Program’s 10% loading order has been met. See Chapter 2 “Eligible Property Improvements” for details on the loading order requirement.

Water Audits

Regardless of the types of measures installed, the Program requires all participants to obtain a free Water-Wise Evaluation through the program administered by the San Francisco Public Utilities Commission (SFPUC), unless the audit scope already includes water conservation measures.

Purpose and Benefits

Property owners can use the resulting audit report(s) to identify and prioritize building-specific energy and water saving opportunities and to predict associated cost/energy/water savings. The Program also uses the audit report(s) as a third-party check that the selected measures for implementation are appropriate for the property, thus reducing Program and participant costs.

In addition, these energy audits may help satisfy the audit requirements of the “San Francisco Existing Commercial Buildings Energy Performance Ordinance” that went into effect in February 2011. This ordinance requires covered commercial properties with between 10,000-49,999 square feet to have an ASHRAE Level 1 energy audit, and properties greater than 50,000 square feet to have an ASHRAE Level 2 audit or equivalent. The ordinance also requires covered buildings to benchmark annually with ENERGY STAR Portfolio Manager and report results with the City. Visit www.sfenvironment.org/ecb for more detail about the ordinance.

6. Participation in Rebate/Incentive Programs

Depending on the types of measures that the property owner is financing through the Program, the Program may require participation in applicable rebate and/or incentive programs (offered through the City, local utilities, the federal government, or associated third-party programs).

Benefits

Rebate and incentive programs reward participants with cash payments or tax credits for implementing measures that reduce energy (or water) usage, thus reducing a property owner’s project cost. “Netting out” rebates and incentives reduces the total financing amount that a property owner will request through the Program. Leveraging such existing programs also helps reduce overall program costs by providing credible savings projections, quality control and assurance, and project inspection services at no additional cost.

When Participation is Required

Property owners seeking financing through the Program are required to participate in certain rebate or incentive programs (if available to them) if installing measures covered by those programs. The Program also requires that all participating properties (regardless of what measures are implemented) undergo a free Water-Wise Evaluation through the program administered by the San Francisco Public

Utilities Commission (SFPUC). These requirements are summarized in Table 2 below.

Table 1 – Required Rebate/Incentive Programs

Trigger for Participation	Required Program Participation
Installation of solar PV system	California Solar Initiative (CSI) rebate program
Installation of solar PV system	GoSolarSF incentive program
Installation of solar thermal (hot water) system	CSI-Thermal program
Participation in GreenFinanceSF	SFPUC Water-Wise program

When Participation is Optional

Given the benefits associated with such programs (see “Benefits”, above), the Program anticipates that most property owners will elect to participate in all applicable rebate and incentive programs that cover measures in their projects, i.e., utility rebate programs not identified in Table 1 “Required Rebate/Incentive Programs,” above. The Program strongly encourages such participation, but does not require it in order to give property owners maximum flexibility.

Reasons some property owners may choose not to participate in applicable rebate or incentive programs may include:

- The rebate/incentive amount is small compared to the time and effort involved in applying for such.
- The rebate/incentive program possibly introduces delays (e.g., for project review, approval, inspections, etc.) that the project cannot accommodate.

Consequences of Nonparticipation in Optional Programs

Because rebate and incentive programs can act as a third-party check for the Program on the validity of the property owner’s measures and their likely energy savings, participation in such programs reduces the Program’s costs for project review, verification and quality assurance/control (QA/QC) activities. Therefore, **property owners who elect not to participate in such rebate or incentive programs may incur additional fees to cover the Program’s costs in conducting activities normally performed by such programs.** These fees may vary depending on the type and complexity of measures included in the project. See Appendix C – Program Fees for a summary of possible additional fees.

7. Application and Approval Process

Program Costs/Fees

There are a number of direct and indirect costs and fees associated with the Program. Some of these are mandatory fees, whereas a few are conditional depending on what improvements are being undertaken, what rebate or incentive programs are being utilized, and what method of property valuation is chosen. Most of these can be included in the financing. See Appendix C for a breakdown of all possible costs and fees.

Debt Service Reserve Fund (DSRF)

The City has received grant funds that it will use to fund a Debt Service Reserve Fund (DSRF) for each financing in order to provide greater security (lower risk) for project lenders. For some lenders, this reduced risk may support the ability to offer better financing rates and terms to property owners participating in the Program.

As long as there are sufficient unallocated grant funds, each project approved by the Program has the option to a standard allocation for a DSRF equal to 10 percent of the total requested financing amount, with a maximum DSRF allocation of \$100,000 for any single project (which, at 10 percent, would support up to a \$1 million project financing).

The Program will consider requests that exceed the \$100,000 maximum DSRF allocation on a case-by-case basis, as well as allocations greater than the standard 10 percent. Project lenders may also decline to receive an allocation from the DSRF, if they so choose.

Two-Step Application Process

Given the limited grant funds available for DSRFs available, the long lead times associated with commercial retrofit projects and the associated costs for property owners to plan such projects, the Program's application process is broken into two steps: 1) Initial Application, and 2) Final Application, as detailed below. Applicants must complete both steps in order to be fully approved.

Step 1: Submit an Initial Application

This step is a streamlined 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 includes a request for an allocation from the Debt Service Reserve Fund, if desired. The Program has developed an Initial Application form to be used in completing this step.

Items to be submitted with Initial Application:

- **Initial Application Form:** filled out completely

- **Corporate/Organizational Documents:** only necessary if property owners are not listed on the property title as individuals
- **Title Search Payment:** property owners must cover the cost of the Program's title search to verify the property meets eligibility requirements.

The Program will review the completed Initial Application form and related items within ten (10) business days and determine if all eligibility requirements are met (incomplete applications will result in a longer review period). Upon approval of the application, the Owner will be issued a Conditional Reservation for participation in the Program. The Conditional Reservation will remain valid as long as the applicant makes progress toward completing the second step of the application process, according to the Program deadlines for submitting the associated Final Application. Failure to meet Program deadlines (or to obtain extensions to deadlines) for preparation of the Final Application may result in a cancellation of the Conditional Reservation. Approval of the Final Application will result in a Final Reservation for participation.

Step 2: Submit a Final Application

This step is a more detailed process that requires the property owner to complete all related planning and application tasks, including: conducting an energy/water audit, obtaining existing mortgage holder acknowledgment/consent, and finding 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 to project scope and desired amount to be financed that have occurred since issuance of the Conditional Reservation. The Program has developed a Final Application form and other related documents to be used in completing this step.

Items to be submitted with Final Application:

- **Final Application Form:** completed and signed by all property owners or their legally authorized representatives
- **Contractor Cover Sheet(s) and Bid(s):** copies of contractor bids for the work to be performed on the project, along with a completed Contractor Coversheet attached to each bid
- **Property Value Statement Form:** completed and signed by all property owners or their legally authorized representatives
- **Written Mortgage Lender Consent Form:** a completed and signed Lender Consent form from any and all existing mortgage or lien holders on the property
- **Energy / Water Audit Reports:** copies of the appropriate energy and/or water audits conducted on the property that contain identified opportunities or recommendations for the property improvements for which the property owner is seeking financing
- **Energy and Cost Savings Analysis Template:** completed by engineer or contractor with sufficient detail to fully demonstrate the cost and energy

savings potential for a proposed project. *Where renewable energy projects are to be installed, the analysis or an attachment thereto, must clearly show how the Program's 10% loading order is met.*

- **Rebate / Incentive Documents:** copies of applications and/or pre-approval letters from rebate/incentive programs from which the project will receive related funding
- **Application Fee:** The application fee is waived during the Program's pilot period.

Tasks and Deadlines for Submitting Final Application

Related to the items to be submitted with the Final Application, there are three major tasks that must be accomplished between receipt of the Conditional Reservation and submission of the Final Application. Completing these tasks by certain deadlines (or receiving deadline extensions from the Program) is necessary in order to maintain the Conditional Reservation and also to prepare for submitting the Final Application. The property owner must make progress toward completing these tasks within a certain timeframe relative to when the Conditional Reservation was issued. Those tasks, and their associated deadlines, are listed in Table 3 below.

Table 2 – Tasks & Deadlines for Maintaining Conditional Reservation

Task	Description	Deadline*
1. Energy/Water Audit & Final Project Scope	If not already conducted, have a qualifying energy or water audit conducted on the property by a professional, and determine final project scope and financing amount.	Within 90 calendar days of Conditional Reservation
2. Lien Holder Approval	Obtain written acknowledgment/consent from all existing mortgage or lien holders on the property for participation in the Program.	Within 90 calendar days of Conditional Reservation
3. Project Lender	Identify a project lender that will provide financing for the project.	Within 90 calendar days of Conditional Reservation
Submit Final Application	Submit Final Application with all tasks completed and necessary approvals.	Within 120 calendar days of Conditional Reservation

**Exceptions to the above deadlines may be granted on a case-by-case basis if the Program determines that the applicant is making good progress toward completing these tasks.*

Final Application Approval

The Program will review the completed Final Application form and related items within ten (10) business days and determine if all eligibility requirements are met (incomplete applications will result in a longer review period). Upon approval of the application, the Owner will be issued a Final Reservation for participation in the Program.

Approval or denial will be based on the eligibility requirements listed within this Program Handbook. Submission of an application does not guarantee that you will be approved for Program participation. If you proceed with installation before notification of a Final Reservation, you risk incurring the cost of installation without the benefit of Program financing.

In addition, a Final Reservation does not guarantee that you will receive funds. Before you receive funds through the Program, you must satisfy the requirements listed in Chapter 8 “Requesting Funding Disbursement” below.

Addressing DSRF Underestimates

The Program recognizes the possibility of significant variance between the Debt Service Reserve Fund request in the Initial Application and the amount ultimately needed by the project lender. If the DSRF amount that the applicant originally requested is underestimated (i.e. the amount to be financed increases between Initial Application and Final Application steps) or if no amount was originally requested, the Program may or may not be able to allocate additional funds from the DSRF to cover the difference. There are several options to rectify this:

1. If there is a shortfall, the shortfall can be financed, subject to project lender agreement and property valuation criteria.
2. The applicant can adjust the agreement with the project lender for the lender to accept less DSRF coverage (which may result in a change of interest rate or terms).
3. The applicant can reduce the scope of the project and the associated amount of necessary financing such that the original DSRF allocation gives sufficient coverage.
4. The applicant can contribute capital (e.g. internal funds) to reduce the project costs such that the remaining amount being financed is sufficiently covered by the original DSRF estimate.

8. Requesting Funding Disbursement

Funding Disbursement Types

After a Qualified Contractor has completed installation of the Authorized Improvements on the subject property or has reached a milestone at which a progress payment is desired (see “Progress Payments” below), you must submit a funding disbursement request and the Project Verification documents listed below in order to receive funding from the Program. The purpose of Project Verification is to confirm that the property owner has installed the Authorized Improvements in the size and manner presented in the Final Application and, where applicable, confirm that the Program’s loading order requirement has been met.

The Program Administrator will review the funding request and the Project Verification documents and, if your request is approved, produce Final Program

forms. The Final Program forms will be sent to you within five (5) business days after you have submitted a funding request and the Project Verification documents. You must return the executed Final Program forms to the administrator within seven (7) calendar days. The Project Verification documents and Final Program forms are listed below.

Project Verification Documents (submitted by you with your funding request)

- a. A signed final permit inspection from the City's Department of Building Inspection for applicable completed projects
- b. A final invoice from all contractors (or, for progress payments, an invoice stating percentage of work complete; see "Progress Payments" below.) The invoice must provide sufficient detail to permit review against the project presented in the Final Application.
- c. A copy of California Solar Initiative (CSI) Confirmed Reservation Notice Letter (if solar PV and/or solar water heating is installed) and/or any additional rebates or incentives.
- d. A copy of the Water-Wise post-installation verification (if applicable)

Final Program Forms (to be executed and returned by you within 7 days of receipt from the City)

- a. An executed and notarized Unanimous Approval (by all property owners or authorized representatives). By executing the Unanimous Approval, you will annex the subject property to the Special Tax District, agree to pay special taxes in specified amounts for the period specified in the Unanimous Approval, consent to recordation of a Notice of Special Tax Lien against the subject property, and release the City and its administrator from any liability associated with installation of the Authorized Improvements or their performance.
- b. Utility Authorization to Release Information.
- c. Assignment of Right to Receive Financing Proceeds, if the payment is to be assigned to the contractor.

When the City has received all required documentation from you, it will confirm your compliance with the eligibility requirements. The timing of when the City will record the Notice of Special Tax Lien as an encumbrance on the subject property is determined on a case-by-case basis according to the terms agreed upon between the City, the property owner, and the project lender. The City will document the bond transaction with you and the project lender identified by you, and approve the issuance of bonds for purchase by the project lender.

All funding requests will be deemed final upon submission of the required documentation listed above and may not be subsequently changed.

In the event a property owner cancels financing after a request for funding is submitted to the City, all expenses incurred by the City for recording tax liens, preparing bond documents and removing tax liens will be the responsibility of

the applicant. The City will terminate the lien evidenced by recordation of the Notice of Special Tax Lien upon receipt of reimbursement from the applicant for these expenses.

Table 3 – Related Disbursement Request Items to be Submitted

Progress Payment	Final Payment
Applicable permit(s)	Applicable final permit(s)
Invoices, cost statements, or equivalent from contractors showing progress	Final invoices, cost statements, or equivalent from contractors
Copies of any applicable rebates or incentives	Copies of any applicable rebates or incentives
Check covering Progress Payment Fee	Receipts, statements, purchase orders, or other evidence of actual cost for items not covered in contractor invoice

Progress Payments

The City will consider making progress payments in certain circumstances on a case-by-case basis. In general, the City may agree to make progress payments before the installation of the Authorized Improvements is complete if certain criteria are met, which may include (i) the amount financed is in excess of a minimum amount, (ii) the time required to install the Authorized Improvements exceeds a certain length of time, (iii) the amount of each progress payment is a minimum percentage of the total cost of the Authorized Improvements to be financed by the Program and (iv) based on a certification of the Qualified Contractor, the percentage of the total amount to be financed that will have been disbursed by the City after disbursement of the progress payment will not exceed the percentage of the installation work that has been completed.

Program Participation Expiration

Once the Program accepts your Final Application and issues a Final Reservation, your approval will be effective for 360 calendar days. Property owners that receive Program approval must have a Qualified Contractor complete installation of the Authorized Improvements on the subject property and complete financing arrangements within this period. If you fail to have a Qualified Contractor complete the installation of Authorized Improvements on the subject property within the reservation period, your Program approval will expire. You may request to extend your Program approval prior to its expiration for an additional 90 days. However, you may have to pay an extension fee.

An applicant may cancel a Program approval in writing during the 360-day period, but will forfeit the application fee and the opportunity to receive funding under that approval. The applicant may reapply but will not be guaranteed funding availability and will have to pay another application fee.

9. Quality Assurance and Quality Control (QA/QC)

In order to ensure that financed property improvements are properly completed and are able to deliver expected savings and benefits, the Program requires that property owners either participate in existing utility rebate or incentive programs (where available and applicable) that have their own verification/inspection mechanisms, or submit to and pay for other third-party site inspections (service providers have been retained by the Program for this purpose).

The Program and/or the project lender may require additional inspections at additional cost if the property owner requests progress payments be made before final payment.

10. Measurement and Verification (M&V)

The Program requires property owners to enroll in the free energy usage tracking and benchmarking service called ENERGY STAR Portfolio Manager which provides access to the data necessary to determine how the installed improvements are performing over time, and how the building is performing relative to its peers.

The Program reserves the right to require property owners to grant the City access to their ENERGY STAR Portfolio Manager accounts for a period of three years after project completion so that the City and its partners can analyze project performance and gauge program effectiveness. Information received under this provision shall remain confidential.

Property owners that have energy demand above 200 kW are also required to participate in the free PG&E Interact Services, which provides energy usage monitoring on a near real-time basis.

Property owners and project lenders are encouraged to conduct more detailed performance analysis on their own to ensure continued cost and energy savings.

11. Description of Bond/Legal Documents

The following table summarizes the Program's major bond and legal documents.

Table 4 – Major Bond/Legal Documents

Document	Description
Form of Lender Consent	Relates to a property owner’s existing mortgage lender/lienholder, whereby that existing lender/lienholder (i) consents to the levy of special taxes and the creation of the special tax lien and (ii) agrees that the proposed special tax lien will not constitute an event of default or trigger the exercise of any remedies under the loan documents in force between the existing lender/lienholder and the property owner.
Form of Unanimous Approval	Document pursuant to which the property owner agrees to the levy of special taxes for purposes of the issuance by the City of a special tax bond to a project lender.
Notice of Special Tax Lien	Document which is recorded in the real property records to provide notice of a lien to secure payment of special taxes on the property.
Form of Bond Purchase Contract	A contract between the City and the lender, pursuant to which the lender (i) agrees to purchase a special tax bond issued by the City and (ii) makes representations and warranties that it is a “qualified investor”. This contract also reflects the basic financing terms agreed between the lender and the property owner.
Final Agent Agreement	A contract between the City and a fiscal agent for the bond investor detailing the financing terms.

12. Financing Cost; Interest Rate

The following terms are helpful in understanding the Program’s financing structure.

Financing Cost. An amount equal to (i) the principal amount received through the Program, (ii) interest on the principal amount you received through the Program and (iii) initial and on-going program expenses summarized in Appendix C. The financing cost is paid by the property owner through a special tax. The City expects to levy the special tax on the property tax bill, although it may bill the special tax separately.

Principal Amount. The amount equal to all project costs that the property owner may choose to finance through GreenFinanceSF, which may include costs associated with implementing the project such as permits, audit expenses, application fee, a deposit to a debt service reserve fund if required and capitalized interest (see “Capitalized Interest” below).

Interest Rate. The rate of interest on the bonds issued by the City. It will be negotiated between the property owner and the lender.

Capitalized Interest. Interest on the bond that is financed rather than paid with special taxes. Depending on when a project’s financing is closed, it may not be possible to place the special tax on the City property tax bill until the following tax

roll cycle. Where such delay occurs, the interest payments that the property owner would have paid are capitalized into the principle amount.

Debt Service Reserve Fund (DSRF). An escrow fund with the sole purpose of covering shortfalls in debt service payments.

Initial and On-going Program Administrative Costs. Program fees designed to cover Program operations which are paid by the participating property owner. Certain financing costs are built into the total financed amount (which increases the effective interest rate you will pay). Annual administrative costs are collected as part of the special taxes. The fees for any specific project will be disclosed and agreed to prior to financing.

13. Important Legal Terms

Repayment Terms

Following execution of the Unanimous Approval and recordation of the Notice of Special Tax Lien, the property owner will be obligated to pay the special taxes specified in the Unanimous Approval and the Notice of Special Tax Lien.

Project Lender Financing Terms

Each project lender may impose additional terms on property owners beyond the provisions laid out in this Handbook. As an “open-market” PACE program, GreenFinanceSF property owners have the responsibility of identifying a qualified project lender and arranging financing with that project lender. Agreements between the property owner and project lender cannot create City or Program obligations or liabilities.

Special Taxes

A property owner must pay the agreed-upon special taxes regardless of personal financial circumstances, the condition of the property, or the performance of the Authorized Improvements. Do not apply for financing if you are not certain you can pay the special taxes. **The failure to pay your special tax in full will result in financial repercussions, including penalties, interest and, potentially, foreclosure of your property by the City.**

If an escrow account is used to pay semi-annual property taxes, participants must notify their escrow company of the special tax payments. The agent will need to increase your monthly payments to the escrow account by an amount equivalent to your annual special taxes divided by 12 months.

Compliance with Existing Mortgages

Recordation of the Notice of Special Tax Lien will establish a continuing lien as security for the obligation to pay special taxes. The lien securing the obligation to pay special taxes will have priority over all other liens on the property, regardless of the time of their creation, including the existing purchase mortgage(s). Many mortgage and loan documents limit the ability of a property owner to further encumber the property – particularly encumbrances with priority over the mortgage/loan – without the consent of the lender, or authorize the lender to prepay the new lien. **Please confirm with any lienholder(s) that participation in the Program will not adversely impact your rights with respect to any existing loan documents, or obligate you to prepay your special taxes.** Property owners must notify the lender in writing and receive written acknowledgment/consent from the lender prior to applying to the Program. The Program will provide lender acknowledgment/consent templates, but responsibility for addressing issues with existing lenders is the property owners’.

Transfer or Resale of the Subject Property

If the property is sold prior to the end of the agreed-upon special tax period, the new owner will assume the special tax obligation. Ownership of any Authorized Improvements on the subject property will transfer to the new owner at the close of the real estate sale. Authorized Improvements financed through the Program may not be removed from the property until the bond issued by the City to finance installation of the Authorized Improvements has been retired. Program participants agree to make all legally required disclosures about the existence of the special tax lien on the property in connection with any sale.

Rebates and Taxes

Participation in this Program does not reduce rebates available through the State and City solar rebate programs. More information on the CSI program can be found at: <http://www.gosolarcalifornia.ca.gov/> and the GoSolarSF program at <http://sfwater.org/gosolarsf>. Other energy efficiency rebates available from utilities and the State are also unchanged.

Please consult with your tax advisors with respect to the State and federal tax implications of participating in the Program.

Neither the City nor the administrator is responsible for the State or federal tax consequences of participating in the Program.

Changes in State and Federal Law

The City’s ability to issue bonds to finance the Program is subject to a variety of State and federal laws. If those laws or the judicial interpretation thereof were to change after you have applied for funding (and, thereafter, incurred the cost of installation in anticipation of Program funding) but before the City issues a bond to finance your funding request, the City may be unable to fulfill your funding request.

The City shall have no liability as a result of any such change in law or judicial interpretation.

Changes in the Program Terms; Severability

The City reserves the right to change this Program Handbook and terms and provisions set forth within at any time without notice; however, no such change will affect your obligation to pay special taxes as set forth in the Unanimous Approval. Your participation in the Program will be subject to the Program Handbook in effect from time to time during your participation.

If any provision of this Program Handbook is determined to be unlawful, void, or for any reason unenforceable, then that provision shall be deemed severable from this Program Handbook and shall not affect the validity and enforceability of any remaining provisions.

It is the property owner's responsibility to confirm they have the most recent version of Program Documents. Property owner's may satisfy this responsibility by checking the documents on the Program website or by calling the Program Administrator.

Disclosure of Property Owner Information

Property owners must agree to allow the City to disclose its personal/corporate information submitted as part of the Program to the Program Administrator, and that the City and the Program Administrator may disclose the property owner's information to third parties when such disclosure is essential to the conduct of the City's business or to provide services to the property owner, including but not limited to where such disclosure is necessary to (i) comply with the law, legal process or regulators, and (ii) enable the City or the Program Administrator's employees or consultants to provide services to the property owner or to otherwise perform their duties. The Program will not provide property owner information to third parties for telemarketing, e-mail or direct mail solicitation.

All property owner information obtained is treated with great care in order to protect privacy and security.

In order to receive funding for this Program and to enable communication regarding the State's rebate program for solar installations, property owners must consent to the release of their contact information to the California Solar Initiative operated by Pacific Gas & Electric Co. and must agree to the release of their name and contact information and the property's utility usage data by Pacific Gas & Electric Co. to the City, the California Energy Commission and other Program grantors, and designated Program contractors for the purpose of conducting surveys and evaluation of the Program.

Fraud

Giving materially false, misleading or inaccurate information or statements to the City or its employees and agents (or failing to provide the City with material information) in connection with an application is punishable by law. Material representations include, but are not limited to, representations concerning the project costs, ownership structure and financial information relating to the property and the applicant.

Exceptions to these Terms and Provisions

The City may make exceptions to the terms and provisions detailed in this handbook where there is a finding that such exception furthers the goals and objectives of GreenFinanceSF. Consideration of an exception request from a property owner may involve payment of the Application Fee or other fees.

Appendix A – Guidance for Selecting Energy Auditor

Overview

The commercial building energy audit market is fragmented, with no universally accepted standards for auditors. Although the Program does not endorse specific contractors or accreditation programs, it has compiled this guidance to serve as suggested minimum requirements that property owners might look for in an energy auditor in the commercial sector.

Credentials/Qualifications

Whereas the following credentials and qualifications are not required, the more of these that a service provider's staff has, the more confident you can be in their knowledge, experience and abilities:

- California Professional Engineering License (PE)
- ASHRAE Building Energy Assessment Professional (BEAP) Certification
- Certified Energy Manager (CEM) or Certified Energy Auditor (CEA) from the Association of Energy Engineers (AEE)
- Multi-disciplinary competence (lighting, HVAC, refrigeration, appliances)
- Years of directly relevant professional experience

Recommendations/Questions for Prospective Energy Auditors

1. If seeking a whole-building energy audit, request that the auditor follow the ASHRAE Level 1 and/or 2 audit guidelines. (This is a requirement of the Program for projects that include multiple measures)
 - a. Ask for a copy of previous ASHRAE Level 1 and 2 audits that they have completed.
 - b. Request and check references for past building energy audit work.
2. Ask about training
 - a. Are they a mechanical engineer?
 - b. A licensed Professional Engineer (PE)?
 - c. A Certified Energy Manager, Certified Energy Auditor, or Certified Lighting Efficiency Professional through the Association of Energy Engineers, or other accredited energy audit training program?
3. Ask about active involvement with relevant professional organizations such as (in alphabetical order):
 - a. Association of Energy Engineers (AEE)
 - b. American Society of Heating Refrigeration and Air-Conditioning Engineers (ASHRAE)
 - c. ENERGY STAR (U.S. E.P.A.)
 - d. Illuminating Engineering Society (IES)
 - e. U.S. Green Building Council (USGBC)
4. Be clear about what you expect as the outcome from the building audit report. You may want to specifically ask for some of the following products or services from your auditor:

- a. Actionable recommendations
 - b. Realistic treatment of utility rates and energy cost savings
 - c. Transparent (not black box) analysis
 - d. Guidance to more resources to assist with implementation
 - e. Credible energy and cost savings estimates
 - f. Reasonable cost estimates or vendor bids
 - g. Interactive effects of multiple measures
 - h. Measurements of existing systems
 - i. Logging of temperatures or base case energy consumption
 - j. Hourly modeling
 - k. Project design specifications
 - l. Construction management services
 - m. Utility incentive/rebate application assistance
5. Talk to your CFO and discuss with your auditor what type of financial/economic analysis would be most helpful to your decision-making process. Inform the auditor that the Program has a simple, uniform Energy and Cost Savings Analysis template (an Excel spreadsheet) that the auditor can use to present the energy and economic data.

Other Tips for the Building Audit Process

1. Collect all as-built mechanical, electrical and plumbing (for water audits) plans and specs that you have accessible, and make them available to the auditor.
2. Ask your property manager and building engineer to be present at the building audit.
3. Contact your utility account representative to coordinate incentives for your project.
4. You may want to involve vendors that you typically rely on, or have existing contracts with, such as controls companies, HVAC service companies, or lighting companies. They can provide cost estimates for proposed retrofits.

Appendix B – Energy Audit Types

Overview

This appendix contains a description of three levels of building energy audit analyses that are commonly used in the energy efficiency industry. For GreenFinanceSF audits are important because they assist property owners in identifying and installing appropriate projects. Additionally, when applicable, **an ASHRAE Level 2 audit is required to demonstrate compliance with the Program’s loading order** as explained in the Program Handbook.

Industry Standard Audit Formats

While there is no single approach to conducting building audits, there are widely accepted industry standard audit formats. Depending on the size of the building, scope of the energy efficiency measure(s), and the complexity of systems, one can specify an American Society of Heating Refrigeration and Air-Conditioning Engineers (ASHRAE) Level 1, 2, or 3 audit. Costs of audits are dependent on these variables as well.

ASHRAE Level 1, 2, and 3 Audits

The ASHRAE audit summary below lays out basic parameters for performing varying degrees of a whole building audit. For more precise guidelines see the ASHRAE Publication “Procedures for Commercial Building Energy Audits” (available from the ASHRAE online bookstore at <http://www.ashrae.org>).

Level I to III designations are based on increasing level of detail, depth, and cost. Each audit level includes an initial, preliminary analysis that compares the building energy use to similar building stock based on the energy use intensity (EUI in kWh/sq ft or kBtu/sq ft). Please see additional descriptions and components of these energy audit types in Table 1, Table 2, and Table 3, below.

Table 1 – ASHRAE Energy Audit Level Descriptions

ASHRAE Audit Level	Audit Description
Level 1	Walk-through analysis Brief review of building systems with primarily qualitative results.
Level 2	Energy Survey and Engineering Analysis Includes identification of energy efficiency measures with estimates of energy and cost savings for capital projects.
Level 3	Detailed Analysis of Capital-intensive Modifications Includes more detailed calculations based on monitored end use data or hourly building simulations. Also includes more detailed project specifications for retrofits.

Table 2 – ASHRAE Energy Audit Activities

Audit Activity	Audit Level		
	1	2	3
Walk-through survey	•	•	•
Identify low-cost/no-cost recommendations	•	•	•
Identify capital improvements	•	•	•
Review mech. & elec. design, condition and O&M practices		•	•
Measure/Monitor key parameters		•	•
Analyze capital measures (savings & costs inc. interaction)		•	•
Additional testing/monitoring			•
Detailed system modeling			•
Schematic layouts for recommendations			•
Meet with owner to review recommendations		•	•

Table 3 – ASHRAE Energy Audit Report Components

Audit Report Component	Audit Level		
	1	2	3
Estimate savings from utility rate change	•	•	•
Compare energy use intensity (EUI) to similar sites	•	•	•
Summarize utility data	•	•	•
Estimate savings if EUI met target	•	•	•
Preliminary end-use breakdown	•	•	•
Detailed end-use breakdown		•	•
Estimate low-cost / no-cost savings	•	•	•
Estimate capital project costs, savings		•	•
Complete bldg description & equipment inventory		•	•
Detailed description of recommendations		•	•
Recommended monitoring & verification (M&V) method		•	•
Specifications and schematics of all recommendations			•

Minimum Data Requirements

For all projects, regardless of size or audit type, the energy analysis or audit report should, at a minimum, provide the following key parameters in an easy-to-identify summary table. Note: Some of these requirements are included in a Level I Energy Audit while others augment the requirements in a Level 1 Audit.

For the building overall:

- Description of the Project and facilities affected by the Project
- The square footage for conditioned space by space type (e.g. office, retail, industrial, schools, hospital, high tech, etc)
- The historical annual energy consumption by fuel type (e.g. electricity kWh, natural gas therms) for at least one year
- The historical annual energy cost by fuel type
- The applicable utility rate schedule(s)

For each proposed Energy Conservation Measure (ECM):

- Measure description (including specifications, as appropriate)
- Estimated annual energy consumption savings (e.g. kWh, therms, kBTU) based on specific application (not manufacturer’s generic, average estimate)
- Estimated peak demand savings (kW)
- Estimated operations and maintenance savings (if applicable)
- Estimated measure utility cost savings
- Estimated measure cost
- Calculated measure simple pay back
- Measure Equipment Useful Lifetime (from approved measure list if available)

Appendix C – Program Fees and Costs

This appendix summarizes GreenFinanceSF (GFSF) fees and major costs. All fees, costs and other detail provided within this appendix are specific to the GreenFinanceSF pilot program and are subject to change without notice. Contact the GFSF Program Administrator for the most current information. Project lenders, rebate/incentive programs, and other program participants may impose additional costs or fees.

Table 1 – Mandatory One-Time Fees and Costs

Mandatory fees and costs are imposed on all projects. During the program’s pilot period, some of these fees are waived as noted in the chart below.

Description	Timing	Applicant Fee/Cost (Pilot Period)	Notes
Application Processing Fee	At Initial Application	\$0	Fee initially waived during pilot.
Energy Audit	Before Final Application	Variable	This is a cost paid not to the program, but to an auditor and will vary depending on audit level and size of building
Technical Project Review	At Final Application	\$0	Fee waived during pilot period, technical review by kW Engineering to ensure project is valid and has potential to save energy
Title Search	At Final Application	\$250-\$1,000	Cost is related to size and complexity of ownership structure and history.
Special Tax Administration	At closing	\$1,000	Covers the establishment and administration of the GFSF special tax district
Recording Fee	At closing	0.20% of project cost	This is equivalent to \$100 per each \$50k of project cost.
Bond Counsel	At closing	Up to 2% of project financed amount	Bond counsel fees are based on the financed amount. Fee is 2% of first \$1M bond issuance (with a minimum of \$15,000); 1% of next \$4M; 0.5% of next \$10M; 0.125% beyond.

Table 2 – Ongoing Program Fees

Ongoing program fees are remitted to the Program as part of the annual special tax payment. The special tax is designed to be collected as part of the subject property’s property tax billing.

Description	Timing	Applicant Fee (Pilot Period)	Notes
Special Tax Administration – Tax Role Administration	Annually	\$15	Covers the administration and maintenance of the GreenFinanceSF special tax district.
TTX – Tax Roll Inclusion	Annually	\$21.55	Covers the development of the tax annual tax roll.

Table 3 – Conditional One-Time Expenses

There are also conditional one-time expenses imposed on specific projects based on unique circumstances.

Description	Timing	Applicant Fee/Cost (Pilot Period)	Notes
Technical Review (only for custom measures)	At Final Application	\$540	Only required when applicant has chosen measures not currently found on eligible measures list.
Appraisal (if desired)	At Final Application	\$5k - \$10k	If current assessed amount is not acceptable to property owner, property owner may secure alternative appraisal from approved appraiser
Pre-install Site Inspection	After application approval	\$540 (or \$0 and paid by grant funds if ineligible for utility incentives)	If measure(s) are eligible for utility incentives but applicant chooses not to participate, then pre-install inspection may be required.
Post-install Site Inspection	Before final payment	\$675 (or \$0 and paid by grant funds if ineligible for utility incentives)	If measure(s) are eligible for utility incentives but applicant chooses not to participate, then post-install inspection may be required.
Debt Service Reserve Fund (DSRF)	At closing	\$0	Project lender has discretion as to whether to request/require a DSRF, and amount. During pilot, a 10% DSRF will be paid for through ARRA funds at no expense to applicant, <u>if the applicant requests it.</u>
Progress Payment Request Processing	During construction	TBD	Doesn't include on-site inspection activity or fees (assumption is that project lender will conduct inspection to verify progress, if desired).