

FINAL

GreenFinanceSF Program Terms

This document was last updated 04/08/10.

If you (the “property owner(s)”) wish to apply for financing (“financing” or “funding”) from the City and County of San Francisco (the “City”) as part of its GreenFinanceSF Program (the “Program”), you must read and accept these GreenFinanceSF Program Terms (the “Program Terms”).

These Program Terms, along with the documents you execute in connection with the Program, including but not limited to your application for a funding reservation, an information verification form and the Unanimous Approval described in “Funding Request” below (collectively the “Program Documents”), establish the terms of the Program. You should become familiar with and understand the provisions of the Program Documents. By executing the Programs Documents, you will agree to the terms of the Program. The City reserves the right to amend these Program Terms from time to time as described in “Changes in the Program Terms; Severability” below.

I. Purpose of the Program

The Program is intended to assist property owners in the City with financing the acquisition and installation of energy efficiency, water conservation and renewable energy improvements (the “Authorized Improvements”). The City formed the “City and County of San Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing)” (the “Special Tax District”) to provide the source of financing for the Program. The City will issue bonds on behalf of the Special Tax District and use the sale proceeds of the bonds to finance Authorized Improvements. The bonds will be repaid and the costs of administering the Program will be paid with special taxes paid by the property owners who choose to participate in the Program.

There may be other types of financing available. The City does not guarantee that the Program is the best financing option for your situation. Please do your research and select the option that is most appropriate for you.

II. Summary of the Program Process

As discussed in more detail below, in order for you to receive funding from the Program, the following steps must occur with respect to all property types:

First: You must determine that you will meet the eligibility requirements. See “Eligibility” below.

Second: You must apply online or submit a paper application for a funding reservation from the Program. See “Application for a Funding Reservation; Approval or Denial; Application Fee” below. You must agree to these Program Terms and pay an application fee as part of the application process.

Third: The City must approve your completed application for a funding reservation. See “Application for a Funding Reservation; Approval or Denial; Application Fee” below.

Fourth: A Qualified Contractor must complete the installation of Authorized Improvements on your property. See “Authorized Improvements; Qualified Contractors; Maximum Funding” below.

Fifth: You must make a funding request and submit all required documents within 180 days of application approval. See “Funding Reservation Expiration” and “Funding Request” below.

Sixth: The City will record a Notice of Special Tax Lien against your property at the time you request funds. The City will authorize the release of funds to you after project completion; you may choose to assign payment directly to your contractor. See “Funding Request” below.

Seventh: You will be expected to pay the special taxes in the amounts and at the times specified in the Unanimous Approval. See “Financing Cost; Interest Rate; Special Taxes” below.

The City has hired a third-party (the “administrator”), Renewable Funding LLC, to administer the program. The City may change administrators from time to time. The City will share information with the administrator and other third parties as necessary to administer the Program. See “Disclosure of Property Owner Information” below.

III. Eligibility

The Program is available to all privately owned buildings. The financing terms and conditions set forth in these Program Terms are applicable to financings of \$50,000 or less for retrofit projects in residential (including multifamily properties up to 4 units) and non-residential buildings (including multifamily properties of more than 4 units). The financing terms and conditions set forth in these Program Terms are not necessarily applicable to projects of more than \$50,000 or other types of property; the City will establish the financing terms and conditions appropriate to such financings at the time of financing approval.

Low-income applicants are encouraged to apply and may qualify for assistance with the application fee or audit costs.

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.
- b. The subject property may be used for residential or non-residential purposes. If the subject property is used for residential purposes, the property owner(s) do not have to occupy the subject property as their primary residence.
- 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. Property owners of a non-residential property (including residential property of more than four units) must obtain the written consent of existing lenders. The Program will provide templates for lender notification and consent. A copy of the completed letter(s) and proof of mailing must also be sent to the administrator.
- d. All owners of the fee simple title to the subject property must sign the Program Documents. Therefore, before submitting an initial application, please ensure that all owners of the fee simple title to the subject property will agree to participate in the Program on the terms set forth in these Program Terms.
- e. The Program will encourage each applicant to complete a whole building performance audit, completed by a BPI-certified building analyst, HERS II rater or SF Energy Watch auditor. The Program expects to amend these Program Terms to require such an audit once there is a sufficient supply of qualified energy raters within the City to support projected Program demand. For the initial phase of the Program, the following requirements will apply:
 - i. If solar PV is financed, the property owner must also implement energy efficiency measures demonstrating a 20% improvement in building performance through a test-in and test-out process.
 - ii. If a property owner wishes to finance energy efficiency measures and/or a renewable energy project through the Program without completing a whole building performance audit, then the property owner must first install a basic energy efficiency and water efficiency package (the “Basic Package”). The Basic Package is a home energy retrofit package as developed by the Home Energy Retrofit Coordinating Committee (HERCC) and also include basic water efficiency measures available through the SFPUC’s Water-Wise program. Information on the Basic Package can be found in the Eligible Projects list, which can be found at greenfinancesf.org. This option will only be available during the initial phase of the Program.
 - iii. If applicants wish to finance water efficiency improvement projects only, they must complete a Water-Wise Evaluation. Property owners will also receive information regarding energy efficiency at that time but will have no obligation to install energy efficiency improvements.
- f. Property owners will be required 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 PV system will be required to participate in the California Solar Initiative (“CSI”) rebate program and, if available, the GoSolarSF

incentive program with respect to the subject property. Property owners will also be required to participate in similar incentive programs for solar thermal (hot water) systems and home energy efficiency retrofits as they become available.

- g. The property owners(s) must agree to provide the City with access to the property's utility usage information to enable the Program to monitor energy savings. The property owner(s) must further agree to participate in surveys and Program evaluations directed by the City.
- h. The property owner is highly encouraged to participate in a workshop about the Program.
- i. The property owner(s) must certify that they have not declared bankruptcy in the past 10 years as part of the application.
- j. The property owners 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 you took title to the subject property if it has been less than 3 years). The City may review public records, including the County 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. Non-residential properties which are currently appealing a property tax assessment will be reviewed and eligibility will be determined on a case by case basis.
- k. 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).
- l. The property owners must not have in aggregate involuntary liens, defaults or judgments applicable to the subject property in excess of \$500. The City may review public records, including the County real property records and court documents, to verify compliance with this requirement. A property owner with an involuntary lien(s) of greater than \$500 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 non-residential property with an involuntary tenant's lien will be reviewed and eligibility will be determined on a case-by-case basis.
- m. The value of the property (based on assessed value, appraised value, or market value calculated according to a method identified by the City) 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, (iii) the aggregate principal amount of any fixed assessment liens on the property and (iv) the product of multiplying (A) any bond-related special tax levied on the property's most recent property tax bill by (B) 7.
- n. The aggregate principal amount of the Program bonds attributable to the property cannot exceed 10% of the value of the property (based on assessed value, appraised value, or market value calculated according to a method identified by the City).
- o. The all in tax rate may not exceed 2% of the value of the subject property.
- 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.

IV. Authorized Improvements; Qualified Contractors; Maximum Funding

Authorized Improvements. Program financing may only be used to finance those solar photovoltaic installations, solar thermal installations, energy efficiency improvements, and water conservation measures, which are available in the Eligible Projects list at greenfinancesf.org. See "Eligibility" above for additional information.

Responsibility for Authorized Improvements. You are responsible for the Authorized Improvements installed on your property. You will need to address performance and other system-related issues directly with the installer according to the terms of your contract with the installer.

The Program is a financing program only. Neither the City nor the administrator is responsible for the Authorized Improvements or their performance.

Qualified Contractors (“Qualified Contractors”). The Authorized Improvements must be installed by contractors who meet the eligibility criteria set forth for the specific category of work being financed and be listed on the Qualified Contractors list located at greenfinancesf.org. If you choose to work with a contractor that is not registered, you are not eligible for Program financing.

Energy efficiency measures must be installed by licensed contractors and certified through BPI, Home Performance with Energy Star (HPwES), or Energy Watch. The Basic Package may be installed by an appropriately licensed contractor.

On an interim basis, licensed, non-certified contractors installing such measures will be required to commit to obtaining appropriate BPI certification. This alternate approach is expected to be available for applications received up to 12/31/10. As noted above, these Program Terms will be amended to reflect an approach focused on whole building performance audits when appropriate.

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 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 administrator will participate in the resolution of any dispute between you and your installer.

Maximum Funding. The City requires a minimum funding request of \$5,000. The City will only authorize funding requests in an amount equal to the lesser of (i) maximum amount allowed for the property type or (ii) 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 “Financing Cost; Interest Rate” below. The funding limits are per property per financing request.

The Program will not provide financing for any costs in excess of this amount.

The City reserves the right to approve applications for non-residential properties with project costs above the stated maximum, and therefore such proposals are invited. Such applicants should note that the City may also require a different legal process or financial arrangements for such projects.

V. Initial Application for a Funding Reservation; Approval or Denial; Application Fee

Initial Application. All property owners interested in applying to the Program must submit the Initial Application Documents listed below and the \$300 application fee. At the time of application, property owners must agree to the Program Terms. Project applications for larger financing amounts or building types not covered by these Program Terms will receive an administrative point of contact from the City or administrator who will assist in the process.

Initial Application Documents

- a. Application Form, either submitted online or printed and signed
- b. Recent mortgage statement(s)
- c. Lender notification
 1. For residential properties up to 4 units, a copy of the letter the applicant sent to his/her lender and proof of mailing. Letter must have been sent at least 30 days prior to funding request.
 2. For residential properties with more than 4 units and non-residential properties, the written consent of existing lender(s).

NOTE: The Program will provide a template notice and consent forms for property owners to send to the lender.

- d. Energy audit, including “Test In” Verification, from a BPI-certified building analyst, HERS-II rater or Energy Watch contractor (if applicable)
- e. Water-Wise evaluation (if applicable)

- f. A bid, including Contractor Cover Sheet, for each proposed project for financing

Approval or Denial. Based on the eligibility requirements listed above, the City or administrator will approve or deny your application within approximately five (5) business days. You will be notified of approval or denial via email.

Submission of an application does not guarantee that you will be approved for a funding reservation. If you proceed with installation before notification of a funding reservation, you risk incurring the cost of installation without the benefit of Program financing.

In addition, a funding reservation does not guarantee that you will receive funds from the Program. Before you receive funds from the Program, you must satisfy the requirements listed in “Funding Request” below.

Application Fee. You will be asked to pay an application fee of \$300 when you submit your application. If your application is approved but you do not meet the funding requirements or decide not to utilize the Program funding (except as described in “Consumer Protection” below), your fee will not be refunded.

VI. Funding Reservation Expiration; Funding Reservation Cancellation

If the City approves your application, your funding reservation will be effective for 180 calendar days for residential applications and non-residential applications of up to \$50,000 and a project-specific period for non-residential applications over \$50,000. This period of time is referred to as the “reservation period”. Property owners that receive a funding reservation must have a Qualified Contractor complete installation of the Authorized Improvements on the subject property and submit a compliant funding request (see “Funding Request” below) within the reservation period. If you fail to have a Qualified Contractor complete the installation of Authorized Improvements on the subject property within the reservation period, your funding reservation will expire. You may request to extend your reservation period prior to its expiration for an additional 90 days. However, you will have to pay an extension fee of \$100.

If your reservation period expires, you may reapply but there is no guarantee that a new reservation will be available.

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

VII. Funding Request

After a Qualified Contractor has completed installation of the Authorized Improvements on the subject property, you must submit a funding request and the Project Verification documents listed below in order to receive funding from the Program. The administrator will review the funding request and the Project Verification documents, and 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 projects
- b. A final invoice from all contractors
- 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.
- d. “Test Out” Verification from a BPI-certified building analyst, HERS-II rater, or SF Energy Watch contractor (if applicable)
- e. 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). 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 administrator from any liability associated with installation of the Authorized Improvements or their performance.

- b. Information Verification form.
- c. Utility Authorization to Release Information.
- d. Payment Assignment Form, if the payment is to be assigned to the contractor.
- e. HUD 1A Closing Statement
- f. Truth-in-Lending Disclosure Statement (residential property owners only).
- g. Notice of Right of to Cancel (residential property owners only).

If the documents listed above are not submitted to the City within 7 calendar days after you receive the Final Program forms, the funding request will expire. In that event, you will need to make a new funding request if you wish to receive funds from the Program. **If the interest rate has changed between the date of your original funding request and your subsequent funding request, the interest rate will be reset. See “Financing Cost; Interest Rate; Special Taxes” below.**

Once the City has received all required documentation from you, and after it has confirmed your compliance with the eligibility requirements (see “Eligibility” above), the City will record the Notice of Special Tax Lien as an encumbrance on the subject property and approve the issuance of a check to you (or your contractor, if you instruct us to pay the contractor directly).

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 owners 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, which are estimated to be approximately \$300 – \$500.

VIII. Financing Cost; Interest Rate

Financing Cost. In order to receive funding, you will agree to pay special taxes in an amount equal to (i) the principal amount you received from the Program, (ii) interest on the principal amount you received from the Program and (iii) initial and on-going administrative expenses. The City expects to levy special taxes on your property tax bill, although it may bill you separately.

Principal Amount. This is the amount equal to all project costs you choose to finance, which may include costs associated with implementing the project such as permits, audit expenses, application fee, a deposit to a debt service reserve fund (see “Deposit to a Debt Service Reserve Fund” below) and capitalized interest (see “Capitalized Interest” below).

Interest Rate. The rate of interest on the amount of funding you receive will be a fixed interest rate. The rate will be fixed at the time you submit a valid funding request to the City, Property owners can check the applicable rate of interest on the Program website.

Capitalized Interest. Because of the July 1 deadline for placing the special taxes on the City property tax bill, the principal component of the special tax may also include the first tax year’s installments if the deadline cannot be met.

Deposit to a Debt Service Reserve Fund. The City may require property owners to finance a deposit to a debt service reserve fund in order to pay debt service on the bonds in the event of special tax installment delinquencies. The deposit to a debt service reserve fund will be equal to 5 -10% of the principal component of the special tax and will be determined at the City’s discretion based on the requirements of the financial markets.

Initial and On-going Program Administrative Costs. Program Administrative Costs are built into the total financed amount and the ongoing special tax requirement (which increases the effective interest rate you will pay). The capitalized costs are not expected to exceed 5% of the project costs and the on-going costs will be no more than 2.5% of the principal and interest component of your annual special tax payment.

IX. Repayment Terms; Special Taxes; Foreclosure Terms

Repayment Terms. Following 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.

Special Taxes and Foreclosure. 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 or in part will result in financial repercussions, including penalties, interest and, eventually, foreclosure of your property by the City.**

If you use an escrow account to pay your semi-annual property taxes, you must notify your escrow company of your special tax payments. You will need to increase your monthly payments to the escrow account by an amount equivalent to your annual special taxes divided by 12 months.

X. Compliance with Existing Mortgages

Recordation of the Notice of Special Tax Lien will establish a continuing lien as security for your obligation to pay special taxes. The lien securing the obligation to pay special taxes will be senior to all private liens, including your existing purchase mortgage(s). Many mortgage and loan documents limit the ability of a property owner to place senior liens upon property without the consent of the lender, or authorize the lender to obligate you to prepay the senior obligation. **Please confirm with your lender(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.** For residential projects, the City requires property owners to notify their lender at least 30 days prior to a funding request, to provide the administrator with a copy of the letter and proof of mailing and to certify that the lender has not objected to the property participating in the Program. For non-residential projects (including residential properties with more than 4 units), property owners must notify the lender and receive written consent from the lender prior to submitting a funding request. The Program will provide lender notification and consent templates, but ultimate responsibility for addressing issues with existing lenders is the property owners'.

XI. Transfer or Resale of the Subject Property

If you sell your property 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. 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.

XII. 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 would also be unchanged.

Please consult with your tax advisors with respect to the State and federal tax benefits and consequences 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.

XIII. 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 a funding reservation (and, thereafter, incurred the cost of installation in anticipation of Program funding) but before the City issues bonds 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.**

XIV. Changes in the Program Terms; Severability

The City reserves the right to change these Program Terms 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 Terms in effect from time to time during your participation.

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

XVI. Disclosure of Property Owner Information

You agree that the City may disclose your personal information to the administrator, and that the City and the administrator may disclose your information to third parties when such disclosure is essential to the conduct of the City's business or to provide services to you, including but not limited to where such disclosure is necessary to (i) comply with the law, legal process or our regulators, and (ii) enable the City or the administrator's employees or consultants to provide services to you and to otherwise perform their duties. We do not provide your personal information to third parties for telemarketing, e-mail or direct mail solicitation.

All personally identifiable information obtained from you (personally identifiable information is information about you such as name, postal address, e-mail address, phone number, credit card number and billing address, and birth date) is treated with great care in order to protect your privacy and security.

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

XVII. 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.

XVIII. Consumer Protection

The Program is subject to certain State and federal laws designed to protect consumers. Among other things, these laws require the City to disclose information to property owners and, only during the three-day period following execution of the Unanimous Approval, guarantee a property owner the right to rescind the Unanimous Approval without penalty (including the return of the application fee). The City will comply with all applicable State and federal laws in connection with the Program.