



City of Sacramento City Council

915 I Street, Sacramento, CA, 95814
www.CityofSacramento.org

Meeting Date: 6/19/2012

Report Type: Consent

Title: Supplemental Agreement: Clean Energy Sacramento Program

Report ID: 2012-00417

Location: Citywide

Recommendation: Pass a Motion authorizing the City Manager or the City Manager's designee to execute a First Amendment to City Agreement No. 2011-1186 with Ygrene Energy Fund California, LLC, thereby establishing the City-sponsored Clean Energy Sacramento program.

Contact: Yvette Rincon, Sustainability Program Manager, (916) 808-5827, General Services Department

Presenter: Yvette Rincon, Sustainability Program Manager, (916) 808-5827, General Services Department

Department: General Services Dept

Division: Office of the Director

Dept ID: 13001021

Attachments:

- 1-Description/Analysis
- 2-Attachment 1-Background
- 3-Attachment 2-Contract Amendment
- 4-Contract Status Form

City Attorney Review

Not Approved as to Form
Joseph Cerullo
6/14/2012 4:43:28 PM

City Treasurer Review

Reviewed for Impact on Cash and Debt
Russell Fehr
5/31/2012 4:57:41 PM

Approvals/Acknowledgements

Department Director or Designee: Reina Schwartz - 6/14/2012 10:58:35 AM



Description/Analysis

Issue: On September 27, 2011, City Council adopted Resolution No. 2011-539 authorizing the City Manager or the City Manager’s designee to execute a professional services agreement with Ygrene Energy Fund California, LLC (“**Ygrene**”) to finance and administer the City’s Property Assessed Clean Energy (“**PACE**”) program. The PACE program was designed to provide financing through voluntary contractual assessments imposed under chapter 29 in division 7 of the Streets and Highways Code (commonly known as A.B. 811). The City is now re-establishing the program under 2011 amendments to the Mello-Roos Community Facilities Act of 1982 (Statutes 2011, chapter 493 (S.B. 555)). To reflect this change in statutory authority, the attached First Amendment to Agreement No. 2011-539 replaces the scope of work based on assessments with one based on special taxes levied through a new community facilities district. In addition, the new scope of work also expands the CES program to include residential property owners, as requested by City Council on September 27, 2011.

Policy Considerations: The recommendations in this report are consistent with City Council’s economic and sustainability priorities for the City, and with Resolution No. 2010-346 prohibiting the City from entering into any contract for the purchase of goods or services from any business or entity headquartered in Arizona.

Participation in the CES program will be entirely voluntary and will enable owners of commercial, industrial, and residential property to finance renewable-energy, energy-efficiency, or water-conservation improvements using investor funds repaid through a special tax added to their property-tax bills. These projects will reduce energy costs for business and residents, create jobs, and reduce greenhouse-gas (GHG) emissions.

Environmental Considerations:

California Environmental Quality Act (CEQA): The recommendation in this report is not a “project” subject to CEQA because it has no potential to cause a significant effect on the environment and it pertains to creation of a government-funding mechanism not involving a commitment to a specific project that may result in a potentially significant physical impact on the environment. (Cal. Code Regs. title. 14, §§ 15061(b)(3) & 15378(b)(4).)

Sustainability: Implementing the CES program is one of the implementation actions identified in the 2011 Sustainability Plan and a voluntary implementation item in the City’s Climate Action Plan. For every project that is financed through this program, there will be a corresponding reduction in GHG emissions from energy efficiency improvements.

Commission/Committee Action: None

Rationale for Recommendation: The City is re-establishing its CES program under the Mello-Roos Community Facilities Act of 1982, as amended in 2011. Approving the First Amendment to City Agreement No. 2011-539 is needed to reflect the new structure of the CES program and to expand the CES program to include residential property owners, as requested by City Council on September 27, 2011.

Financial Considerations: This report does not result in any change to the amount of the professional services agreement with Ygrene. The amendment is a change only to the Ygrene’s scope of work under the agreement.

Ygrene will administer and finance the CES program at no cost to the City. Ygrene's sole source of compensation for performing these services will be derived from the interest rate spread between the cost of funds and the interest rate to property owners who obtain financing from Ygrene through the program. In addition, the City will make available to Ygrene up to \$321,000 in funds from an Energy Efficiency Conservation Block Grant (EECBG) for use by Ygrene in (1) developing administrative software for the CES program, (2) conducting CES program marketing and outreach, and (3) conducting energy audits to confirm actual energy savings associated with the various improvements. The City Council previously accepted these grant funds on May 22, 2009, through the adoption of Resolution No. 2009-320, which authorized the acceptance of \$4.7 million in EECBG funds through the American Recovery and Reinvestment Act of 2009. A total of \$630,812 of this grant has been programmed in the City's Federal Energy Efficiency Grant Project (G13000050, Fund 2702, Operating Grants) for establishment of a regional clean-energy program.

Emerging Small Business Development (ESBD): No additional goods or services are being purchased as a result of this report.



Background

The City is and has been a leader in sustainability and continually seeks opportunities to enhance that status. The City's goal is to reduce greenhouse-gas ("**GHG**") emissions communitywide to 1990 levels by 2020. In the City, GHG emissions from commercial, industrial, and residential buildings are second only to transportation-related GHG emissions. Reaching the communitywide GHG-emission-reduction goal will require a number of programs and policies. The Clean Energy Sacramento ("**CES**") program is one important program that the City will pursue, not only to reduce GHG but also to create jobs and reduce energy costs for commercial, industrial, and residential property in the City.

Under the proposed program, there is little or no up-front cost to the property owner, and if the property is sold before the investors are repaid the new owner simply assumes responsibility, under most circumstances, for the remaining special-tax obligation as part of the property's annual tax bill.

The CES program will enable owners of commercial, industrial, and residential property to obtain investor funding for renewable-energy, energy-efficiency (e.g., solar thermal, solar electric), and water-conservation improvements and to repay the investors over a multi-year period (not to exceed 20 years) through a special tax on their property-tax bills. The program is completely voluntary: no property will be subject to a special tax unless the owner volunteers to participate in the program. Moreover, each participating owner will pay only for the cost of qualifying improvements to that owner's property (including principal, interest, reserves, and administrative costs) plus application fees.



Attachment 2

First Amendment to City Agreement No. 2011-539

Project Number: 2002002

Project Name: City of Sacramento Property Assessed Clean Energy Program

Department: General Services

Division: Office of the Director

First Amendment to City Agreement No. 2011-1186

This amendatory agreement, dated June 19, 2012, for purposes of identification only, is between the CITY OF SACRAMENTO, a California municipal corporation (the “**City**”); and YGRENE ENERGY FUND CALIFORNIA, LLC, a California limited-liability company (the “**Contractor**”).

Background

Under a Professional Services Agreement dated September 27, 2011, and designated as City Agreement No. 2011-1186 (the “**Original Agreement**”), the Contractor has agreed to finance and administer the City’s PACE Program, through which the Contractor will provide funding to each eligible property owner who desires to install qualifying renewable-energy systems or energy- or water-efficiency improvements. The Original Agreement contemplates that the PACE Program will be based on voluntary contractual assessments levied in accordance with California Assembly Bill No. 811 (Statutes of 2008). It also contemplates that the PACE Program will be available only to commercial and industrial properties.

In late 2011, the California Legislature enacted and the Governor signed Senate Bill No. 555, thereby amending the Mello-Roos Community Facilities Act of 1982 to authorize a PACE Program based on special taxes levied with the participating property owners’ unanimous approval. Having determined that a PACE Program based on special taxes has several advantages over one based on voluntary contractual assessments, and having further determined that the PACE Program should be expanded to cover residential property, the City and the Contractor desire to amend Attachment 1 to Exhibit A of the Original Agreement so that the City’s PACE Program will be based on a community facilities district formed in accordance with Senate Bill No. 555 and will be available to all commercial, industrial, and residential property within the City.

With these background facts in mind, the City and Contractor agree as follows:

- 1. Amendment of Attachment 1 to Exhibit A.** Attachment 1 to Exhibit A of the Original Agreement is replaced in its entirety with the document attached as Exhibit A to this amendatory agreement.
- 2. All Other Terms Remain in Force.** Except as amended by section 1 above, all terms and conditions of the Original Agreement remain in full force.
- 3. Effective Date.** This amendatory agreement becomes effective when both parties have signed it, as indicated by the dates in the signature blocks below.

- 4. **Counterparts.** The parties may execute this amendatory agreement in counterparts, each of which will be considered an original, but all of which will constitute the same agreement.
- 5. **Entire Agreement.** This amendatory agreement sets forth the parties' entire understanding regarding the matters set forth above and is intended to be their final, complete, and exclusive expression of those matters. It supersedes all prior or contemporaneous agreements, representations, and negotiations regarding those matters (whether written, oral, express, or implied) and may be modified only by another written agreement signed by all parties.

City of Sacramento

Ygrene Energy Fund California, LLC

By: _____
 Reina Schwartz, Director of General
 Services, for John F. Shirey, City Manager
 Date: _____, 2012

By: _____
 Signature

 Name

 Title
 Date: _____, 2012

Attest
 Sacramento City Clerk

By: _____

Approved as to Form
 Sacramento City Attorney

By: _____
 Joseph P. Cerullo
 Senior Deputy City Attorney

Exhibit A

Attachment 1 to Exhibit A of the Original Agreement

Functions and Responsibilities for City of Sacramento Clean Energy Sacramento Program

As amended in 2011 by Senate Bill No. 555 (Statutes of 2011, chapter 493) ("**SB 555**"), the Mello-Roos Community Facilities Act of 1982 (Government Code sections 53311 and following) (the "**Act**") authorizes California's local agencies to establish voluntary special-tax programs that property owners may use to finance the capital costs of energy-efficiency, renewable-energy, and water-conservation projects permanently affixed to their properties. CITY intends to use this financing authority to establish Community Facilities District No. 2012-01 (Clean Energy), City of Sacramento, County of Sacramento, State of California (the "**District**"), through which CITY will implement its Clean Energy Sacramento Program (the "**Program**"). Under the Program, owners of residential property, commercial property (including multi-family residential property with five or more units), and industrial property throughout the City can obtain low-cost special-tax financing for the permanent installation on their properties of eligible renewable-energy sources, energy-efficiency improvements, and water-conservation measures (the "**Eligible Improvements**"). The Program is voluntary. A property will be annexed to the District and levied with the District's special tax only with the unanimous approval of the property owners. CONTRACTOR shall administer the Program and the District for CITY and fund the acquisition and installation of Eligible Improvements in accordance with the following:

PART I. TASK LIST

Task 1: Design Localization

Task 1.1: Program Enabling Actions

Under one or more separate agreements, CONTRACTOR shall reimburse the CITY for costs CITY incurs for the preparation of resolutions and documents needed to establish the District and operate the Program, including the cost of CITY's outside legal counsel. These documents may include but are not necessarily limited to the following:

- (a) A determination that the establishment of the Program would be in the public interest as provided by SB 555.
- (b) A statement that CITY proposes to make financing, secured through the levy of unanimously approved special tax in accordance with the Act (the "**Special Tax Financing**"), available to property owners who desire to install, or to refinance, Eligible Improvements.
- (c) An identification of the types of Eligible Improvements that may be financed through the Program (see PART IV, "Eligible Improvements," below).
- (d) A description of the boundaries (including a map) of the District within which Special Tax Financing will be offered.
- (e) A description of the proposed Program, including underwriting criteria.
- (f) A statement that a public hearing will be held at which interested persons may object to, or inquire about, establishment of the District.
- (g) Designation of a date, time, and place for the public hearing on establishment of the proposed District.
- (h) A statement of CITY policies concerning the Program, which must identify the types of improvements that may be financed using Special Tax Financing and the CITY official authorized to act on CITY's behalf to enter into agreements with property owners for Special Tax Financing,
- (i) The statement of policies must also briefly describe criteria for determining the underwriting requirements and safeguards that will be used to ensure that the total annual property taxes and assessments on each

property in the Program will not exceed 5% of the property's market value at the time CITY approves a Special Tax Financing on the property. (See Task 1.3 below.)

Task 1.2: Program Report

In accordance with CITY's authorizing resolution for the Program, CONTRACTOR shall provide a hearing report (the "**Report**"). Among other things, the Report must include the following:

- (a) **Program Jurisdiction:** A description, map, or diagram indicating the District boundaries.
- (b) **Draft Unanimous Approval Agreement:** A draft agreement specifying the terms and conditions under which property owners unanimously approve annexation of their property to the District and levy of the special property tax ("**Unanimous Approval Agreement**"). The form of the Unanimous Approval Agreement must be approved by the City Attorney.
- (c) **Program Finance Plan:** A description of the funding source or sources to be offered through the Program for work financed by Special Tax Financing (the "**Finance Plan**"). CONTRACTOR may rely on legal counsel for legal analysis and advice as to the best means and methods to achieve Program validity and address legal matters related to the Special Tax Financing and any bonds to be issued. The Finance Plan may delineate amounts to be advanced based on funds available to CITY from any source and may include the issuance and sale of bonds or other financing arrangements. The Finance Plan must (1) include a method for determining the interest rate and time period during which property owners would pay Special Tax Financing; (2) provide for the establishment of any necessary reserve fund or funds; (3) provide for the apportionment to the property owners of all or any portion of the costs incidental to financing, administration, and collection of the tax; and (4) address other matters necessary to attract funding and financing.
- (d) **Payment Schedules:** Based upon information provided by CITY, CONTRACTOR shall create and provide to both the CITY and each participating property owner a payment schedule that identifies the amount and timing of payments to be made during the term of the Special Tax Financing at the Program interest rate. This schedule will be the basis for the special tax that will be submitted annually to the Sacramento County Tax Collector for inclusion on property-tax bills.
- (e) **Applicant Criteria for the Approval-Denial Process:** Qualification for participation in the Program will be based on underwriting guidelines.
- (f) **Reports on Consultations with the County:** CONTRACTOR shall prepare and periodically update a report on the results of consultations with appropriate Sacramento County officials concerning arrangements and additional fees, if any, to be charged for placing the Special Tax Financing on the property-tax bills.

Task 1.3: Policy Statement

CONTRACTOR shall draft policies for use of Special Tax Financing to finance Eligible Improvements (the "**Policy Statement**"). The Policy Statement is a requirement of the Program and will be effective only if adopted by the CITY. The Policy Statement may include but is not limited to the following:

- (a) **Authorized Officials:** The City Council will identify and delegate power to one or more CITY officials who are authorized to enter into Unanimous Approval Agreements with participating property owners. The Policy Statement should specify the procedures these officials should follow when entering into Unanimous Approval Agreements.
- (b) **Project Identification:** CONTRACTOR shall identify the Eligible Improvements.
- (c) **Method for Prioritizing Property Owner Requests:** Unless otherwise directed by CITY, and subject to financial underwriting guidelines, CONTRACTOR shall process and prioritize requests for participation in the Program on a first-come-first-served basis without regard to size of a project or type of property.
- (d) **Program Timelines:** CONTRACTOR shall specify various Program timelines, including a schedule for setting up the Program (see PART III, "Program Timelines," below). Additionally, CONTRACTOR shall set performance goals for Program components such as application processing, approval notification, tax processing, project funding, and other customer-service-related guidelines.

Task 1.4: Program Forms

CONTRACTOR shall provide CITY a portfolio of Program forms (bi-lingual) to be used by property owners who wish to participate in the Program. These forms, which will be posted on CITY's website, include but are not limited to the following:

- (a) Frequently Asked Questions (FAQ)
- (b) Schedule of Fees
- (c) List of Eligible Improvements
- (d) Underwriting Terms
- (e) Application & Documentation Checklist
- (f) Application
- (g) Unanimous Approval Agreement
- (h) Truth-In-Lending
- (i) Notice of Approval
- (j) Notice to Proceed
- (k) Notice to Lender of Proposed Special Tax
- (l) Property Owner's Acknowledgment of Sole Responsibility to Deal with Lenders
- (m) Project Bid
- (n) Program Contract
- (o) Funding Request Checklist
- (p) Utility Authorization to Release Information
- (q) Closing Checklist

Task 1.5: Presentation to City Council

CONTRACTOR shall assist CITY staff in putting the Report in final form and shall provide such materials and information as are reasonably needed to adequately inform the City Council and the public about the District and the Program, and to comply with California law, including but not limited to the Act. CONTRACTOR shall also participate as requested in the public hearing on the Program.

Task 1.6: Update and Amend the Report

As necessary, and as determined by CONTRACTOR and the CITY following the public hearing, CONTRACTOR shall make requested changes in the Program elements and the Report.

Task 2: Marketing

Task 2.1: Establish a Community-Outreach-and-Participation Plan

CONTRACTOR shall implement the four-step marketing plan for the CITY:

- (a) **Step 1: Contractor Management.** CONTRACTOR shall train and manage contractors as a prerequisite to their participation in the Program, using state contracting standards, nationally recognized programs, and systems training.
- (b) **Step 2: Property Segmentation.** CONTRACTOR shall segment CITY properties into groups based on age, geographic location, assessed value, and other relevant attributes. This provides the basis for a CITY outreach program for each group of properties, using the internet, local media, and local canvassing with a targeted message.
- (c) **Step 3: Localized CITY Website.** CONTRACTOR's Web Tool allows the CITY to establish a message that is consistent with local political and economic-development objectives. With direction from CITY, CONTRACTOR shall launch the localized website. (See Task 2.2.)
- (d) **Step 4: Outreach Centers.** CONTRACTOR shall open an Outreach Center that will serve the Program needs in the CITY for education, outreach, customer service, contractor liaison, and information resources. At the center, property owners can get their questions answered, obtain the necessary forms

to apply for the Program, learn how to save energy and money. Contractors can take classes to help them improve their service and increase their businesses. CONTRACTOR shall design, furnish, and staff the Outreach Center to meet the specific needs of the Program.

Task 2.2: Website Development

CONTRACTOR shall deliver a localized web site for CITY. CONTRACTOR's administrative software is designed to be localized yet still provide the regional and statewide standardization necessary to ensure uniform legal and financial underwriting. The website components and services may include the following, as needed to implement the Program successfully:

- (a) **Video:** A short educational video on how the Program works.
- (b) **Frequently Asked Questions (FAQ)** (to be regularly updated).
- (c) **Assessment Calculator:** A computerized tool that allows interested property owners to input their desired projects and determine both the annual special-tax payments and the expected energy savings. By modeling different project components, property owners can determine an optimum retrofit and renewable-energy profile for their properties.
- (d) **Pre-Qualification:** A computerized tool that allows interested property owners to enter basic information about their properties and determine the amount of financing they can qualify for under the Program.
- (e) **Project Application:** Everything necessary to apply for financing under the Program.
- (f) **Eligible Improvements:** A description of the project components a property owner can select under the Program.
- (g) **Program Forms:** All Program forms must be available through the website. They can be completed electronically or printed and filled out manually. Forms and personal assistance will also be available at the Outreach Center.
- (h) **Authorized Contractor Bid Request:** An on-line tool that provides real-time information about contractor qualifications, the jobs they are supervising, and resources for contacting them and soliciting bids.
- (i) **Program Evaluation:** Property owners can report their Program experiences with respect to project results, contractor performance, and CONTRACTOR performance. This will enable CITY to analyze Program impacts to job creation, energy use, and greenhouse-gas emissions.
- (j) **Contact Information:** Phone numbers and email addresses for all Program personnel and for qualified contractors.
- (k) **Contractor Communication and Coordination:** An online tool that allows contractors to monitor current projects and those in the pipeline.
- (l) **Contact Information:** An Outreach Center resource that provides quick access to specialty subcontractors, when needed, and updates contractors on new tools, training, equipment, and developments in the field.
- (m) **Documents:** A comprehensive document-management system that allows password protected access to all Program and project documents, at any time, by both CONTRACTOR personnel and authorized CITY representatives.

Task 3: Contractor Certification and Training

- (a) CONTRACTOR shall maintain a list of licensed and certified contractors qualified to install Eligible Improvements under the Program (each such contractor, a "**Certified Contractor**"). CONTRACTOR's software maintaining this list must have the capability to do the following:
 - (1) Enable all licensed building contractors to become certified for participation in the Program.
 - (2) Provide a platform where Certified Contractors can manage the project submission-and-approval process and track the progress of payments due under their contracts.
 - (3) Provide a set of standards Certified Contractors can use to calculate a savings-to-investment ratio ("**SIR**") for commercial and industrial projects using approved audit tools.

- (4) Acquire data showing historic energy usage for properties and quantifying energy-use reductions once Eligible Improvements are completed.
 - (5) Provide immediate access to a wide range of data and reports related to the operation, status, and success of the overall Program.
- (b) CONTRACTOR may provide and require both direct and indirect training to ensure that Certified Contractors meet Program requirements.
- (c) CONTRACTOR shall require Certified Contractors to commit to exercise professional skill and integrity in the installation of Eligible Improvements financed through the Program. To this end, CONTRACTOR shall establish Program policies requiring Certified Contractors to do the following. CONTRACTOR is not responsible, however, for monitoring the contracts between property owners and Certified Contractors or for enforcing these policies, although CONTRACTOR may use the policies to revoke a Certified Contractor's eligibility to participate in the Program:
- (1) ensure that roof structures are adequate and appropriate for installation of roof-mounted photovoltaic systems;
 - (2) comply with CONTRACTOR's requirements for the removal and disposition of CFC's and other greenhouse gases;
 - (3) apply professional industry standards in the installation of all Eligible Improvements financed through the Program; and
 - (4) attend training programs designated by CONTRACTOR from time to time.

Task 4: Administration

CONTRACTOR shall administer the Program. Program administration includes but is not limited to processing applications; providing customer service and administration; managing Special Tax Financing and District reporting; and managing the Certified Contractor program.

Task 4.1: Property Owner Applications

CONTRACTOR shall do the following: (a) evaluate applications and process them on a first-come-first-served basis; (b) use an electronic system that will track submitted applications, monitor their status, and verify that Special Tax Financing, once processed and approved, complies with the Policy Statement; and (c) timely communicate pre-approval, approval, and denial notifications to Program applicants.

Task 4.2: Eligible Project and Certified Contractor Selection

Once applications are submitted, property owners will coordinate with their Certified Contractors of choice to complete an energy assessment and from the assessment select items from the Eligible Improvements list. Because the Program is available only for Eligible Improvements, CONTRACTOR's software tools must not allow unauthorized measures. CONTRACTOR shall offer personal assistance to property owners throughout the process of applying and selecting contractors — at the Outreach Center, on the phone, or by email.

Task 4.3: Energy Savings Calculations – Audit

CONTRACTOR shall provide Certified Contractors with audit tools necessary to demonstrate that the SIR of commercial and industrial projects is greater than one. The Certified Contractors must reimburse CONTRACTOR for the cost of these tools.

Task 4.4: Property Owner Bid Approval

Following project submittal, CONTRACTOR shall monitor project status throughout the bid-acceptance process. Once the property owner accepts a project bid, CONTRACTOR shall prepare the Unanimous Approval Agreement and present it to the property owner and CITY for signature.

Task 4.5: Notice to Proceed

CONTRACTOR will authorize the property owner and the Certified Contractor to obtain permits and begin construction only when a project is approved.

Task 4.6: Incentive Processing

Certified Contractors will review each project application and verify whether proposed measures qualify for utility or other incentives. To assist Certified Contractors and property owners in choosing Eligible Improvements, CONTRACTOR shall inform them about incentives.

Task 4.7: Final Approval

When building permits are required, Certified Contractors must obtain a final inspection or certificate of occupancy for each completed project from CITY's Community Development Department (Building Division). Following notification of receipt of the final inspection, and verification that all liens have been released, the property owner will approve the project and submit for payment.

Task 4.8: Record Notices of Assessment for Specific Properties

CONTRACTOR shall coordinate the timely recording of each Notice of Special Tax Lien.

Task 4.9: Special Tax Levy Processing

Once a project is submitted for funding approval and special-tax documentation, CONTRACTOR shall update its status electronically.

Task 4.10: Program Status and Reporting

Using its Web Tool, CONTRACTOR shall provide to CITY and other authorized persons, on demand and on a real-time basis, updates on Program status and Program data, including the following:

- (a) Website Analytics
- (b) Number of calls to the Program's 800 number
- (c) Number of Program applications requested
- (d) Number of completed Program applications submitted
- (e) Number of Program applications processed
- (f) Number of Program applications approved
- (g) Program funding levels and total fund status
- (h) Certified Contractors and certification levels
- (i) Final inspections of completed projects
- (j) Energy saved through completed projects
- (k) Greenhouse-gas reductions achieved through completed projects
- (l) Estimated job creation impact of completed projects

Task 5: Support

CONTRACTOR shall provide ongoing customer service and support.

Task 5.1: Website Development and Management

CONTRACTOR has developed an administrative software and database solution and is dedicated to continuing to improve and expand its capability. CONTRACTOR shall provide all website maintenance, technical support, and updates for the Program.

Task 5.2: Ongoing Tax Tracking and Management

CONTRACTOR shall coordinate ongoing management and verification of properties in the District, annual special-tax levies, and special-tax delinquencies.

Task 5.3: Provide Certification, Training and On-going Support for Contractors

CONTRACTOR shall maintain an updated database of Certified Contractors and make training and education programs available within the CITY to provide a group of high-quality practitioners for effective installation of improvements.

Task 5.4: CITY Staff and Property Owner Support

CONTRACTOR shall provide (a) password-protected, on-line access to real-time project data for properly authorized CITY staff and (b) in-person, telephone, and email access to information regarding Program participants and annual tax installments for property owners.

Task 5.5: Status Meetings and Coordination

CONTRACTOR shall participate in and, if needed, attend appropriate meetings of the City Council and its advisory committees and shall provide CITY staff with access to an administrative system that offers reports and status on the Program's operations.

PART II. CREATION AND COLLECTION OF SPECIAL TAX FINANCING

CONTRACTOR shall coordinate with the City Treasurer, the City Attorney, and CITY staff to establish procedures for placing Special Tax Financing on county property-tax rolls.

PART III. PROGRAM TIMELINES

CONTRACTOR shall provide CITY staff with a pro-forma timeline spreadsheet when this agreement is approved.

PART IV. ELIGIBLE IMPROVEMENTS

Listed below are improvements that are Eligible Improvements under the Program. CONTRACTOR and CITY may jointly approve additional or alternative improvements on a case-by-case basis or may modify the list to comply with state law. Any rebates that are available to the property owner must be deducted from the Special Tax Financing requested.

1.1. Energy-Efficiency Measures

- (a) Air sealing and ventilation
- (b) Air filtration
- (c) Building envelope
- (d) Duct leakage and sealing
- (e) Bathroom, ceiling, attic, and whole-house fans
- (f) Insulation
- (g) Defect correction
- (h) Attic, floor, walls, roof, ducts
- (i) Weather-stripping
- (j) Sealing
- (k) Geothermal exchange heat pumps
- (l) HVAC systems
- (m) Evaporative coolers (coolers must have a separate ducting system from air conditioning and heating ducting system)
- (n) Natural-gas-storage water heater (Energy Star listed)

- (o) Tank-less water heater
- (p) Solar-water-heater system
- (q) Reflective insulation or radiant barriers
- (r) Cool roof
- (s) Windows and glass doors (U value of 0.40 or less and solar-heat-gain coefficient of 0.40 or less)
- (t) Window film
- (u) Skylights
- (v) Solar tubes
- (w) Additional building openings to provide additional natural light
- (x) Lighting (Energy Star listed – no bulb, only retrofits)
- (y) Pool equipment (e.g., pool-circulating pumps)

1.2. Non-residential Energy-Efficiency Measures

- (a) Occupancy-sensor lighting fixtures
- (b) SMART parking-lot bi-level fixture
- (c) SMART parking-garage bi-level fixtures
- (d) SMART pathway lighting
- (e) SMART wall-pack fixtures
- (f) Task ambient office lighting
- (g) Classroom lighting
- (h) Refrigerator case LED lighting with occupancy sensors
- (i) Wireless daylight-lighting controls
- (j) Kitchen exhaust variable air-volume controls
- (k) Wireless HVAC controls & fault detection

2. Renewable-Energy Sources (Photovoltaic and Solar-Thermal Equipment)

- (a) Solar thermal hot water systems
- (b) Solar thermal systems for pool heating
- (c) Photovoltaic systems (electricity)
- (d) Emerging technologies (following the custom-projects track – see Section 4 below, “Custom Projects”).

3.1. Water-Conservation Measures.

- (a) Faucet aerators
- (b) Core-plumbing system
- (c) Gray-water system
- (d) Instantaneous hot-water heater
- (e) Recirculation hot-water system
- (f) Demand initiated hot-water system
- (g) Hot-water pipe insulation
- (h) Irrigation-control system
- (i) Irrigation system
- (j) Rainwater cistern
- (k) Low-flow showerhead
- (l) High-efficiency toilets
- (m) Demand water softener
- (n) Whole-house water-manifold system

3.2. Non-Residential Applications Water-Conservation Measures

- (a) Cooling-condensate reuse
- (b) Cooling-tower conductivity controllers
- (c) Deionization
- (d) Filter upgrades
- (e) Foundation drain water
- (f) Industrial-process water-use reduction
- (g) Pre-rinse spray valves
- (h) Recycled water source
- (i) Urinals
- (j) Waterless urinals

4. **Custom Projects.** The custom-projects track is a process by which CONTRACTOR can evaluate and, in consultation with the CITY, approve funding for projects that are not “off the shelf” Eligible Improvements (“**Custom Projects**”). Custom Projects may involve large-scale industrial or commercial energy-efficiency improvements; processing or industrial mechanical systems; and renewable energy-generation from sources such as geothermal and fuel cells. The measures in Sections 4(a) through 4(k) below are examples of Custom Projects that will be considered for Program funding:

- (a) Building energy-management controls
- (b) HVAC duct zoning-control systems
- (c) Irrigation pumps and controls
- (d) Lighting controls
- (e) Industrial- and process-equipment motors and controls
- (f) Fuel cells
- (g) Wind-turbine power system
- (h) Natural gas
- (i) Hydrogen fuel
- (j) Other fuel sources (emerging technologies)
- (k) Co-generation (heat and energy)

PART V. PROGRAM TERMS

Set forth below are the disclosure requirements and underwriting terms for the Program (the “**Program Terms**”).

To apply for financing under the Program, property owners must read and accept the Program Terms and must execute the documents that are required for participation in the Program, which are described below in Section 7, “Funding,” (the “**Program Documents**”). Property owners should become familiar with and understand the Program Documents. By executing the Program Documents, a property owner agrees to comply with all of the Program Terms. CITY reserves the right to amend the Program Terms from time to time in accordance with Section 14 below, “Changes in Program Terms.”

1. **Purpose of the Program.** The Program is intended to provide property owners within the CITY with Special Tax Financing (defined in Part 1, Task 1.1(b)) for the acquisition and installation of Eligible Improvements. CONTRACTOR shall arrange Special Tax Financing using funds from private sources. Repayment of Special Tax Financing and recovery of Program costs will be through voluntary special-tax levies on residential, commercial and industrial properties within the CITY that are owned by Program participants. The special tax will be assessed and collected annually with the property taxes in accordance with the Act. Neither CITY nor CONTRACTOR guarantees that Special Tax Financing is the best financing option. Property owners should consult with their financial advisors to select the best financing option for their particular situations.

- 2. Summary of the Program Process.** As discussed in more detail below, to receive Special Tax Financing, property owners must complete the following steps:
- (a) Determine that they meet the eligibility requirements (see Section 3 below, “Eligibility”).
 - (b) Apply online or submit a paper application for the Program (see Section 4 below, “Application; Approval or Denial; Application Fee”).
 - (c) Agree to the Program Terms and pay an application fee as part of the application process.
 - (d) Notify each mortgage holder that has a lien on the property (each, a “**Lender**”) of the intent to place a special-tax lien on the property (see Section 3(d)(2) below, “Eligibility”).
 - (e) Sign and deliver to CONTRACTOR a Property Owner’s Acknowledgment of Sole Responsibility to Deal with Lenders (see Section 3(d)(2) below, “Eligibility”).
 - (f) CONTRACTOR must approve the completed application (see Section 4 below, “Application; Approval or Denial; Application Fee”).
 - (g) A Certified Contractor must complete an energy assessment of the property and submit a bid for the installation of Eligible Improvements on the property (see Section 5 below, “Eligible Improvements; Certified Contractors”).
 - (h) The CITY will record a Notice of Special Tax Lien at the time of project approval.
 - (i) CONTRACTOR will authorize the release of funds to the property owner only if the property owner has complied with all requirements associated with project completion. Property owners may choose to assign payment directly to their contractors (see Section 7 below, “Funding”).
 - (j) Agree to pay the Special Tax Financing in the amounts and at the times specified in the Unanimous Approval Agreement (see Section 8 below, “Financing Costs; Interest Rate”).
 - (j) CITY has contracted with CONTRACTOR to administer the program and CONTRACTOR may share information provided by property owners with third parties as necessary to administer the Program.

3. Eligibility.

- (a) Special Tax Financing is available for Eligible Improvements on residential, commercial or industrial real property and buildings within the CITY, whether privately or publicly owned (“the **Property**”), subject to the following: (1) for privately owned real property and buildings, each owner must consent in advance to the financing, in writing; and (2) financing through the Program is not available for the initial construction of privately owned residential buildings unless the initial construction is undertaken by the intended owner or occupant.
- (b) The Program requires a minimum funding request of \$2,500.
- (c) Funding cannot exceed 10% of the Property’s fair-market value, derived from the assessed value, the appraised value, or an estimate of value based upon data supplied by CoStar Group, Inc., unless CITY approves a higher limit.
- (d) For Special Tax Financings of \$250,000 or less, the following underwriting requirements apply:
 - (1) Only Eligible Improvements may be financed through the Program.
 - (2) The Property owner must provide each Lender with the Notice to Lender of Proposed Special Tax by personal delivery or by U.S. Mail (certified mail, return receipt requested). In addition, the Property owner must sign and deliver to CONTRACTOR a Property Owner’s Acknowledgment of Sole Responsibility to Deal with Lenders. The approved forms of these documents are available on-line or from CONTRACTOR.
 - (3) Each holder of (fee-simple) title to the Property must sign the Program Documents. Before submitting an application, the Property owner must ensure that anybody with a recorded ownership interest in the Property will agree to participate in the Program in accordance with the Program Terms.

- (4) The Property owner must participate in applicable federal-, state-, utility-, and CITY-sponsored incentive programs to the extent the project qualifies for such programs at the time of application and the programs do not conflict with Program requirements.
- (5) The Property owner must agree to provide CONTRACTOR with access to the Property's utility-usage records for up to two years prior to and following project processing to enable CONTRACTOR to monitor energy savings. The approved Utility Authorization Form is available on-line or from CONTRACTOR.
- (6) The Property owner must be current in the payment of all obligations secured by the Property (including loans, property taxes, assessments, and tax liens) and must have been current for all such obligations during the previous three years (or since the Property owner has held title to the Property, if for less than three years). CONTRACTOR may review public records and private credit histories, including county real-property records, to verify compliance with this requirement. Certain allowances may be made for delays in property-tax payment that do not reflect financial distress. The application of a Property owner who is appealing a property-tax assessment will be reviewed, and the Property owner's eligibility will be determined, on a case-by-case basis.
- (7) The total mortgage debt on the Property must not exceed 85% of the market value of the Property, derived from either an appraisal or an estimate of value based upon data supplied by CoStar Group, Inc. The phrase "**total mortgage debt**" means the total debt secured by the Property before recordation of the Notice of Special Tax Lien, including mortgages, promissory notes, equity lines of credit, and the aggregate principal amounts of any fixed special-tax liens and assessment liens on the Property.
- (8) Unless approved by the CITY, the Special Tax Financing cannot exceed 10% of the market value of the Property, derived from the assessed value, the appraised value, or an estimate of value based upon data supplied by CoStar Group, Inc.
- (9) The total annual aggregate property taxes and assessments on the Property, including the special tax levied through the Program, must not exceed the following percentages of the market value of the Property, derived from the assessed value, the appraised value, or an estimate of value based upon data supplied by CoStar Group, Inc.:

Residential Property			
Financing Term	Maximum Program Special Tax	Maximum for Other Taxes & Assessments	Total Annual Aggregate
20 years	1.1%	2.0%	3.1%
10 years	1.5%	2.0%	3.5%
5 years	2.5%	2.0%	4.5%

Commercial, Industrial, and Other Property (including Public)			
All terms	3.0%	2.0%	5.0%

- (10) It is critical to the health of the Program that each Property owner pay in full, on a timely basis, all ad valorem property taxes, all special taxes, and all special assessments and other obligations related to the Property. CONTRACTOR reserves the right, in its sole discretion, to request supplemental information from owners and to deny applications based on any negative reports.
- (11) If CITY requests, CONTRACTOR shall require an energy audit for all residential, commercial, and industrial properties to estimate the utility-cost savings resulting from the Eligible Improvements. For commercial and industrial properties, the audit must show that the utility-cost savings will be greater than the cost of installing the Eligible Improvements over the useful life of the improvements. This will define a savings-to-investment ratio of greater than one (SIR>1) and ensure that, over the life of the improvements, the owners of commercial and industrial properties have more money available to pay the expenses of the property, including total mortgage debt (defined above in Section 3(d)(7)), than was the case before the Special Tax Financing.

(e) For Special Tax Financing of more than \$250,000 but less than \$500,000 the following underwriting requirements apply:

(1) All of the requirements listed under Section 3(d) above.

(2) CONTRACTOR shall open an escrow with a local title company and require that the Property owner obtain title insurance that will protect the Property owner and investors if there is a defect in the title to the Property.

(3) The Property owner must submit a Natural Hazard Zone Disclosure Report on the Property. If the report indicates the possible presence of environmental contaminants, then CONTRACTOR shall require that the Property owner submit a Phase I Environmental Assessment for review by CONTRACTOR. Based on that review, CONTRACTOR may disapprove the Property owner's participation in the Program.

(f) For Special Tax Financing of more than \$500,000, the following underwriting requirements apply:

(1) All of the requirements listed under Sections 3(d) and 3(e) above.

(2) The required energy audit and the determination of estimated energy savings must be conducted by an engineering firm that CONTRACTOR determines is qualified in the fields of energy-efficiency and renewable-energy analysis.

(3) CONTRACTOR shall encourage Property owners to obtain insurance that will guarantee the energy-cost savings, as predicted by the engineered audit, for at least ten years.

4. Application; Approval or Denial; Application Fee. A Property owner interested in applying to the Program must submit a completed application to CONTRACTOR, either directly or through a Certified Contractor. The Property owner may be required to pay a non-refundable \$50 application fee.

(a) After receiving and reviewing the application, CONTRACTOR shall give the Property owner either a Notice of Eligibility or a Notice of Denial.

(b) Upon receipt of a Notice of Eligibility, the Property owner may proceed to submit a proposed project for review and approval (See Section 6 below, "Project Approval").

(c) If the Property owner receives a Notice of Denial, the notice will include recommended remedial action that may be available.

5. Eligible Improvements; Certified Contractors. The following general provisions apply to all projects submitted for Special Tax Financing:

(a) Each Property owner must consult with a Certified Contractor to ensure that only Eligible Improvements installed are on the Property. Agreements used by Certified Contractors must address performance and other system-related issues to assist Property owners.

(b) The Program is a financing program only. CITY and CONTRACTOR are not responsible for acquiring or installing the Eligible Improvements or ensuring their proper functioning.

(c) Only Certified Contractors that meet CONTRACTOR's eligibility criteria for the work being financed may install the Eligible Improvements. CONTRACTOR's list of Certified Contractors may be obtained on-line or from CONTRACTOR. All work must be performed by a Certified Contractor to be eligible for Special Tax Financing.

6. Project Approval. After providing to CONTRACTOR evidence of delivery to each Lender of the Notice to Lender of Proposed Special Tax, the Property owner may select a Certified Contractor and proceed to apply for Special Tax Financing in accordance with the following steps:

(a) Select a contractor from the list of Certified Contractors available on-line and from CONTRACTOR. The Property owner may obtain bids and advice from more than one Certified Contractor.

- (b) Work with one or more Certified Contractors to determine the scope and cost of the project, to analyze its energy savings and financial benefits, to confirm, for commercial and industrial properties, a SIR of at least one, and to verify that the proposed project qualifies for Special Tax Financing. Once the scope of the project is determined, obtain a formal bid from one or more Certified Contractors.
- (c) After reviewing the bid, select a Certified Contractor to complete the approval process with CONTRACTOR. If the project requires using more than one Certified Contractor for various aspects of the work (i.e., retrofit and solar), then the Property owner must select a lead Certified Contractor to process the project.
- (d) Upon review of the proposed project and the bid or bids submitted, CONTRACTOR shall deliver to the Property owner by email (unless the Property owner directs otherwise) either a Project Approval Letter or a Project Denial Letter.
- (e) Once the project is approved, the Property owner will be required to execute a Unanimous Approval Agreement authorizing the CITY to record a Notice of Special Tax Lien on the Property to secure the Special Tax Financing. The Notice of Special Tax Lien must be recorded before funds are committed and construction begins.
- (f) Once the Notice of Special Tax Lien is recorded, CONTRACTOR shall issue a Notice to Proceed. Upon receipt of this notice, the Property owner may sign construction contracts and authorize commencement of the project. If construction begins prior to receipt of a Notice to Proceed, then the Property owner runs the risk of not qualifying for Special Tax Financing.
- (g) If the project is denied, CONTRACTOR shall issue a Project Denial Letter outlining remedial action that may be available.

7. Funding.

- (a) Upon completion of a project, either the Certified Contractor or the Property owner must submit the below-listed documents to CONTRACTOR in order to request funding. CONTRACTOR shall not disburse program financing until CONTRACTOR receives and verifies the following Program forms:
 - (1) A final sign-off on the building permit for the project from the CITY's Community Development Department (Building Division).
 - (2) Final invoices and lien releases from all Certified Contractors (including any sub-contractors) that worked on the project.
 - (3) An executed Project Completion Approval signed by all Property owners, with the signatures notarized. By executing the Project Completion Approval form, each Property owner (A) agrees to pay the special tax in specified amounts for the period specified in the Project Completion Approval form, and (B) releases CONTRACTOR and CITY from any liability associated with installation of the Eligible Improvements or their performance or failure to perform.
 - (4) A Utility Authorization to Release Information.
 - (5) An Assignment of Right to Receive Financing Proceeds (if the payment is to be assigned to someone other than the property owner).
- (b) If the Property owner or the Certified Contractor does not submit the documents listed above to CONTRACTOR within seven calendar days after completion of the project, then the funding request will expire, and an updated funding request will be required if the Property owner still desires to obtain Special Tax Financing. If the interest rate has changed between the date of the original funding request and any subsequent updated funding request, then the interest rate will be reset (see Section 8 below, "Financing Costs; Interest Rate").
- (c) CONTRACTOR shall make a final determination of eligibility for the project and shall calculate the final special tax. Upon the Property owner's acceptance of the final determination of eligibility and the calculation of the special tax, CONTRACTOR and CITY shall (1) schedule the special tax for inclusion on the tax roll; and (2) approve the issuance of checks as directed by the Property owner, consistent with any applicable lien releases.
- (d) If the Property owner cancels Special Tax Financing after submitting a request for funding, then the Property owner must pay all expenses incurred by the Program for recording and then removing the

Notice of Special Tax Lien. The recorded Notice of Special Tax Lien will remain in place until the Property owner reimburses the Program for incurred costs.

8. Financing Costs; Interest Rate.

- (a) As used in this Section 8, the term “**Principal Amount**” means the total of all financed project costs. These may include costs associated with implementing the project such as permits, audit expenses, application fees, and capitalized interest (see Section 8(d) below, “Capitalized Interest”).
- (b) To receive Special Tax Financing, a Property owner must execute a Unanimous Approval Agreement in an sufficient to repay (1) the Principal Amount received from the Program, (2) interest on the Principal Amount, and (3) initial and on-going Program expenses. The special tax will appear on the Property owner’s property-tax bill.
- (c) Interest Rate. The rate of interest upon which the special tax is based will be fixed for the full term of the special tax. The rate will be determined on the date of recordation of the Notice of Special Tax Lien. Property owners can monitor interest rates on the Program website or by contacting CONTRACTOR. (See Section 2 of Part VI below for the methodology used to determine interest rates.)
- (d) Capitalized Interest. Because of administrative delays involved in placing the special-tax levy on the county tax rolls, the special tax may not appear on property-tax bills in the first year. In that case, the first tax-year’s special tax may be added to the total amount upon which later special-sax installments are based. This will be itemized on the Settlement Statement.

9. Repayment Terms; Special Tax Financing; Foreclosure Terms.

- (a) Repayment Terms. Following recordation of the Notice of Special Tax Lien, the Property owner will be obligated to pay the annual special tax specified in the Project Approval and the Settlement Statement for the duration of the special-tax levy.
- (b) Foreclosure. The Property owner must pay the agreed-upon special tax regardless of personal financial circumstances, the condition of the Property, or the performance of the Eligible Improvements. Property owners should not apply for Special Tax Financing if they are not certain they can meet the tax obligations. The failure to pay the special tax when due will result in negative financial consequences, including but not limited to penalties, interest, and possibly foreclosure. Property owners that use escrow accounts to pay their property taxes must notify their escrow companies of the special tax. In such cases, Property owners will need to increase monthly payments to the escrow account by an amount equivalent to the annual special tax divided by 12.

10. Compliance with Existing Mortgages. Recordation of the Notice of Special Tax Lien will establish a continuing lien as security for the obligation to pay the special tax. Under the Act, this lien will be senior to all private liens on the Property, including existing trust deeds and mortgages. The Program thus requires Property owners to notify Lenders before a funding request. Some mortgage and loan documents limit the ability of a Property owner to place senior liens upon property without the consent of the Lender. Although such documents typically exclude tax liens from this prohibition, Property owners will be responsible for consulting with their Lenders concerning such limitations, and neither CITY nor CONTRACTOR will be responsible for a Property owner’s failure to comply with such limitations.

11. Transfer or Resale of the Property. If a Property owner sells the Property before the end of the agreed-upon special-tax levy, the new owner will assume the obligation to pay the special tax. Ownership of any Eligible Improvements on the Property will transfer to the new owner at the close of escrow. Eligible Improvements financed through the Program may not be removed from the Property. The Property owner must agree to make all legally required disclosures regarding the existence of the special-tax lien on the Property in connection with any sale.

12. Rebates and Taxes. Participation in the Program does not reduce rebates available through federal, state, utility-sponsored, or CITY rebate programs. More information on available programs can be found on-line or through CONTRACTOR, Certified Contractors and other vendors. Program participants should consult with their tax advisors with respect to the state and federal tax benefits and consequences of

participating in the Program. Neither CITY nor CONTRACTOR is responsible for the tax consequences of participating in the Program.

13. Changes in State and Federal Law. CONTRACTOR’s ability to continue the Program is subject to a variety of state and federal laws. If those laws or the judicial interpretation of those laws changes after a Property owner applies for the Program but before CONTRACTOR fulfills the funding request, then CONTRACTOR may be unable to fulfill the request. In such event, neither CONTRACTOR nor CITY will have any liability as a result of any such change in law or judicial interpretation.

14. Changes in Program Terms. A Property owner’s participation in the Program is subject to the Program Terms in effect on the date of Project Approval for the Property owner’s project.

(a) CONTRACTOR may revise the Program Terms and underwriting standards with the CITY’s approval, as follows:

- (1) The City Manager will determine, after consulting with the City Attorney, whether a revision is material or non-material. As used in this Section 14, “City Manager” includes the City Manager’s designee.
- (2) The City Manager will approve or disapprove non-material revisions.
- (3) The City Council will approve or disapprove material revisions.

(b) No revision will affect a Program participant’s obligation to pay the special tax set forth in the participant’s Unanimous Approval Agreement.

PART VI. FINANCIAL MODEL

1. Funding Sources. CONTRACTOR has entered into agreements with Barclays Capital and other funding sources (the “**Funding Sources**”) to provide interim (warehouse) and long-term financing for the Program. CONTRACTOR shall offer participation in the warehouse to local banks. CONTRACTOR is responsible for the administrative, marketing, legal, and other costs of operating the Program at no cost to CITY. Like other financing programs, the Program is subject to market forces and interest-rate fluctuations that will require adjustments of rates and terms during operation of the Program to maintain viability.

2. Operating Capital. CONTRACTOR’s initial target interest rate for property owners participating in the Program is 6.95% (the “**Program Interest Rate**”). This is based on a current estimated cost of funds from Ygrene Funding, a separate entity from CONTRACTOR, of 6.45% (the estimated “**Funding Rate**”). This example results in an interest-rate spread of 0.05% to provide for the operating and administrative costs of the Program (“**Operating Capital**”). CONTRACTOR uses the Operating Capital for Program administration, marketing and Program development, legal and bond-counsel costs, CITY cost reimbursement, overhead, and profit. If the Funding Rate changes, then the Program Interest Rate may change to provide adequate Operating Capital.

3. Fee Schedule. In addition to the Operating Capital, CONTRACTOR relies on Program fees to fund operations. This fee structure minimizes up-front costs for Property owners.

Fee Description	Amount	Collected
Application	Not to exceed \$50	Upon application submittal
Processing & underwriting	Not to exceed \$250	At disbursement
CITY cost recovery	Not to exceed \$100	At disbursement
Recording & disbursement	Not to exceed \$250	At disbursement
Escrow	\$100 - \$700 based on project size	At disbursement
Title insurance	\$400 - \$5,000 based on project size	At disbursement

This fee schedule is subject to change, subject to CITY's approval in accordance with Section 14 in Part V above. All fees except the application fee will be paid through the special tax.

4. **City Cost Recovery.** At the beginning of each fiscal year (July to June) during the term of this Agreement, CITY will evaluate and notify CONTRACTOR in writing of CITY's administrative and other costs attributable to the Program for the immediately preceding fiscal year. CONTRACTOR shall reimburse CITY in full for this cost within 30 days after receiving CITY's written notice.
5. **Contractor Training & Administration.** Funding for Contractor Certification, contractor training, marketing, and project-oversight includes a fee equal to not more than 3.0% of each project contract, charged by CONTRACTOR directly to Certified Contractors. Included in the services provided to Certified Contractors are lead generation, conflict resolution, the Outreach Center, volume-purchase agreements, meeting space, and administrative services.
6. **Carbon Credits/Offsets.** CITY will own and hold the carbon credits and offsets, renewable-energy credits, solar renewable-energy credits, credits resulting from refrigerant gas destruction, and other environmental assets that result from projects financed through the Program ("**Carbon Credits**"). CONTRACTOR shall implement and enforce procedures that provide for the transfer of the Carbon Credits to CITY. Upon receipt, CITY shall assign its rights to the Carbon Credits to CONTRACTOR, which shall administer the accumulation and aggregation of the Carbon Credits on CITY's behalf. Such administration by CONTRACTOR must include the certification, registration, sale, or other disposition of the Carbon Credits. At the close of each calendar year, CONTRACTOR shall provide a report and an accounting to the CITY of all activity associated with the Carbon Credits, shall remit to the CITY 50% of any net proceeds from the sale of Carbon Credits, and, at CITY's discretion, shall transfer to CITY 50% of any unsold Carbon Credits. If a Property owner qualifies for an incentive or rebate program that requires transfer of Carbon Credits to an organization providing energy rebates or incentives, then CONTRACTOR, on behalf of CITY, and upon receipt of the rebate or incentive by the Property owner, shall assign the rights thereto to that organization.
7. **Energy Efficiency Conservation Block Grant (EECBG) Funds.** Under Exhibit B to this Agreement, CITY shall make available to CONTRACTOR up to \$321,000 in EECBG funds. CONTRACTOR shall use the EECBG funds in furtherance of the Program in accordance with a Scope of Work to be developed between CONTRACTOR and CITY. Funds must be used for the following:
 - (a) For development of administrative software for the Program
 - (b) For Program marketing and outreach.
 - (c) For a program to subsidize energy audits for prospective Program participants. Audits performed under this program will be reimbursed when projects are funded, thereby creating a partially sustainable revolving fund.

PART VII. PROGRAM FORMS

Following is a partial list of forms and documents that may be required for the establishment, operation, administration, financing, and reporting for the Program. These forms will be maintained through a document-management program that allows ongoing, password-protected access for authorized CITY representatives. Forms will be added, edited, and deleted as necessary for the operation of the Program.

Program Report
Frequently Asked Questions
Schedule of Fees
List of Eligible Improvements
Underwriting Terms
Application & Documentation Checklist
Application

Truth in Lending
Notice to Lender of Proposed Special Tax
Property Owner's Acknowledgment of Sole Responsibility to Deal with Lenders
Project Bid & Contract
Funding Request Checklist
Utility Authorization to Release Information
Closing Checklist
Notice of Special Tax Lien
Unanimous Approval Agreement
Project Submission Checklist
Project Approval Letter
Project Denial Letter
Notice to Proceed
Draw Request
Change Order Request Form
Final Building Permit Checklist
Assignment of Right to Receive Financing Proceeds
Wire Request Form
Escrow Instructions
Appraisal Report
Project Energy Savings Calculations & CO₂ Reductions
SIR Report



Status of Contract Requiring Council Approval

**** Form to be completed by City Attorney****

- The contract is signed by the other party(ies), is approved as to form by the City Attorney, and is attached as an exhibit to the Resolution.

Contract Title

- The contract recommended for award by the City Council is for a public project (SCC Ch. 3.60); is NOT signed by the contractor; is in a form that the City Attorney will approve upon proper execution by the contractor; and is attached as an exhibit to the Resolution.

Contract Title

- The contract is with another governmental agency or agencies that require approval and execution by the City prior to execution by the other agency(ies). In this case, the contract is NOT signed by the other agency(ies), but is in a form that the City Attorney will approve upon proper execution by the agency(ies), and is attached as an exhibit to the Resolution.

Contract Title

- The contract is NOT signed by the other party(ies); however, due to special circumstances documented in writing by the Department presenting the contract, the City Attorney has confirmed in writing the legal propriety of the City Council approving and authorizing the action recommended. The unsigned contract:

Contract Title

- is attached as an exhibit to the Resolution
- is NOT attached as an exhibit to the Resolution

General Comments

Signature Field