

NJPACE

NewJerseyPACE.org
A NJ 501c3 Nonprofit

Program Handbook



Property Assessed Clean Energy (PACE)

A New Approach to Financing Community-Wide
Energy Conservation & Clean Energy Programs
For Commercial and Industrial Properties
In New Jersey

*(Current as of: Thursday, December 19, 2013
— check NewJerseyPACE.org for latest updates)*

New Jersey PACE

A DBA of

The Center for Regenerative Community Solutions

a NJ 501c3 Non-Profit Corporation

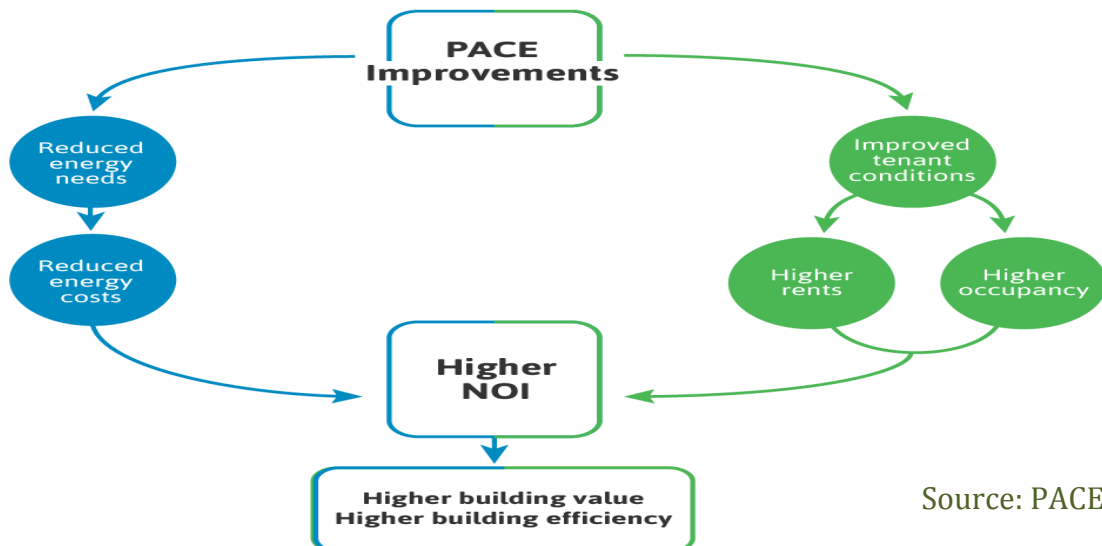
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NJ PACE Program Handbook

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Source: PACENow

Overview

Introduction

NJ PACE, in conjunction with New Jersey municipal governments, has created this Program (the “Program”) to give commercial property owners¹ access to a new form of financing for the installation of eligible clean energy improvements (and other elements of resilient construction when and if they are approved by law²). The anticipated benefits of completing such property improvements include reduced operating costs, increased property value, improved occupant health and comfort, reduced environmental impact, and support for the local economy.

Nature of this Program Handbook

This Handbook details the Program Terms governing all Program participants, including property owners and lenders. It provides the authoritative reference for the terms and conditions of the Program, and may be amended from time to time as needed. While summaries and marketing materials may be supplied, in all cases of difference or divergence this Handbook is definitive. Further, while the requirements and rules set forth herein are based upon industry best practices, NJ PACE, as Program Administrator, retains the right to make adjustments and modifications as necessary to achieve the overall goals and objectives of the Program and the Municipality involved.

Municipal Participation

The availability of the NJ PACE Program as described in this Handbook depends on Municipal participation through the establishment of a PACE District or Program by ordinance, and approval by the Director of Local Government Services of the Department of Community Affairs. The Program will seek Municipal participation for any initial project application submitted where such participation is not already established, but cannot and does not guarantee that such an approval will be obtained, or obtained in a timely manner.

In the absence of such participation, the project cannot be accepted by the Program. The Program shall have no liability with respect to such Municipal participation and the applicant shall have no claims against the Program in connection with such participation.

¹ At this time the Program is limited to commercial and industrial properties, but it is anticipated that through federal legislation or policy changes in Washington this Program can eventually be expanded to include residential properties as well.

² Amending legislation (S2632/A3898, 2012-2013) was introduced into the NJ Legislature in March 2013. The bill also contains clarifications regarding independent administration of municipal PACE programs and the use of private financing instead of or in addition to municipal or county improvement authority bonds. NJ PACE, LLC and CRCS testified at the initial committee hearings on the bill and have since submitted written comments. The new legislation is expected to be approved in 2013 as part of a package of Sandy recovery bills currently going through the NJ legislature.

Types of Financing

The Program is a Property Assessed Clean Energy (PACE) financing program. PACE is an innovative type of secured financing program that provides funding for eligible improvements to privately owned buildings. Under the Program, a property owner requests the Municipality to place a Clean Energy Special Assessment on his or her property, and agrees to pay the assessment to the Municipality. To finance the project, the Municipality may sell a bond payable from the special assessments to a qualified investor, and the proceeds of the bond to finance the improvements to the taxable property. Alternatively, the Municipality may use County Improvement Authority bonds or private third-party financing obtained by the property owner, the contractor, or the Program. In all cases, the PACE special assessment is collected as an integral part of the property tax bill, and is remitted by the Municipality to the Program or to a designated Trustee for repayment to the lender or investor.

Sources of Capital

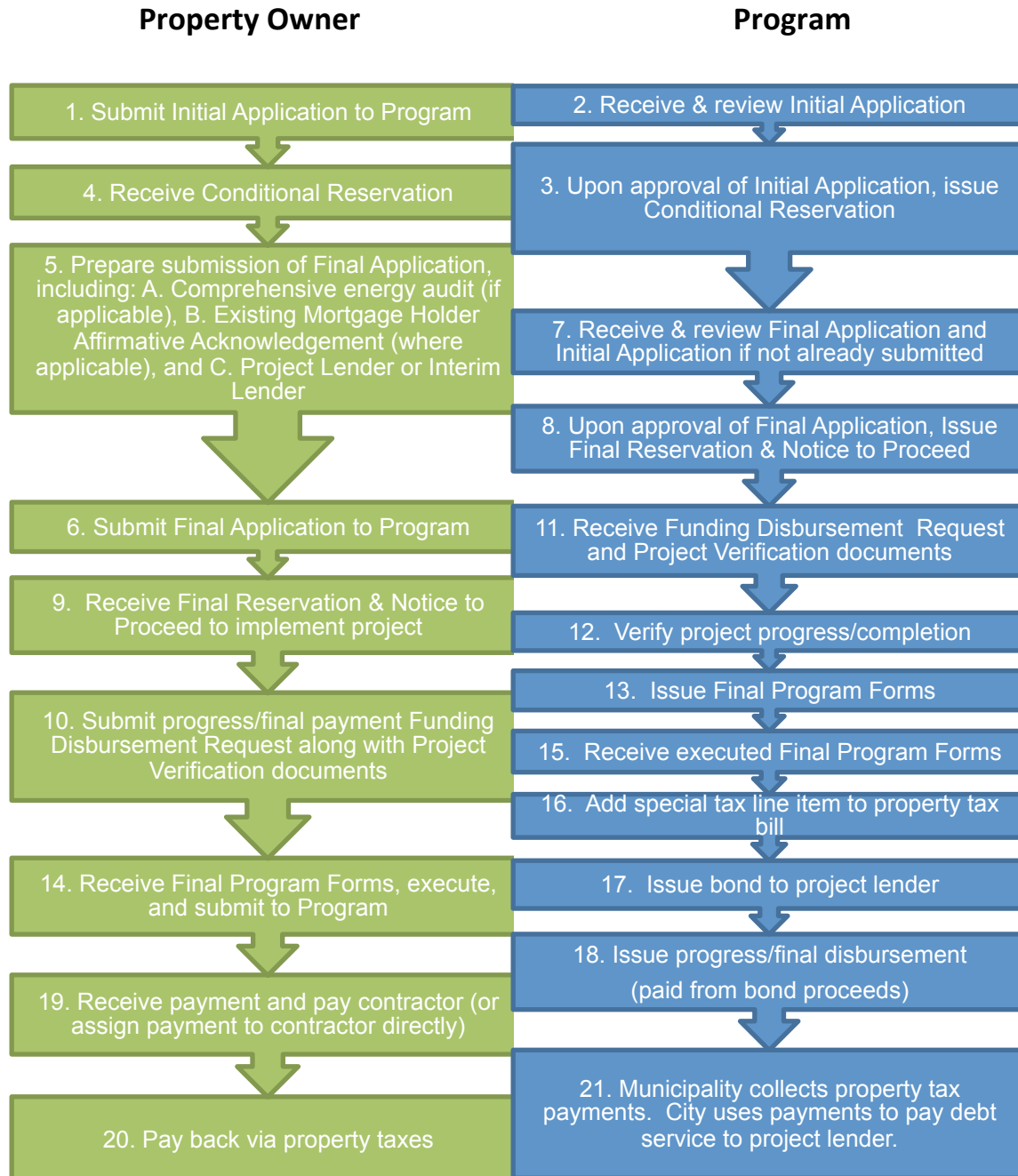
The Program is using the “open-market” PACE model in which may involve the use of a pooled bond or a serial bond issued by the Municipality or by a County Improvement Authority, or private financing. In the case of a pooled bond, PACE assessments from multiple properties are aggregated and structured into a bond issuance which is sold to the public or private capital markets. In the case of a serial bond, tranches or portions of an approved bond offering may be issued from time to time in order to finance one or more PACE projects. In the case of private financing, individual **property owners are responsible for identifying a project lender willing to fund their project**. Property owners negotiate specific financing terms, including the interest rate and repayment terms, with their chosen project lender, using the priority of the Program’s PACE assessment to provide the lender greater security.

Security

The repayment obligation is secured by a special tax assessment specific to the property, as authorized and recorded by the Municipality. In the event of a default, the PACE special assessment shall constitute a lien against the property equivalent to and on a par with the regular tax assessment, senior to any recorded mortgage or other lien as provided by law.

Program Process Flow

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



The Program Process Flow may vary from project to project.

1. Eligible Properties

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

- a. The property to be improved with the Authorized Improvements (the “subject property”) must be located in the Municipality and must be eligible to pay property taxes.
- b. The subject property must be non-residential property as defined as (i) a property the primary use of which is not residential and (ii) a property used for multi-family housing with three or more units.
- c. The property owner must provide written notice of the proposed senior lien to any and all lenders with existing liens on the subject property, and must obtain the written acknowledgment of existing lenders; the Program will provide templates for this purpose but it is the property owner’s responsibility to obtain the acknowledgement of all lenders/lienholders. The owner must submit a copy of the lender’s written acknowledgment with the Application.
- d. All owners of the fee simple title to the subject property or their legally authorized representatives must sign the Program Documents. Therefore, before submitting an initial application, please ensure that all owners (or their representatives) of the fee simple title to the subject property will agree to participate in the Program on the terms set forth in this Program Handbook.
- e. The property owner must have a professional audit conducted on the property that correspond to the types of Authorized Improvements the owner is seeking to finance, and those Authorized Improvements must appear as identified opportunities or recommendations within the resulting audit report. The Program reserves the right on a case-by-case basis to review and approve Improvements that do not appear as an identified opportunity or recommendation within the audit report.
- f. The property owner will be encouraged or required (as described below) to participate in appropriate state and local incentive programs to the extent the subject property is eligible for such programs at the time of application. See Chap. 6 “Participation in Rebate/Incentive Programs” below.
- g. The financed improvements must be Authorized Improvements and must be installed by a Qualified Contractor. See Chap. 2 “Eligible Property Improvements” below.
- h. The property owner must agree to provide the Municipality with access to the property’s utility usage information to enable the Program to monitor energy

savings. The owner must further agree to participate in surveys and Program evaluations directed by the Municipality.

- i. The property owner must certify that it (and its corporate parent if the property owner is a single-purpose entity) is solvent and that no proceedings are pending or threatened in which the property owner (or the corporate parent, as applicable) may be adjudicated as bankrupt or become the debtor in a bankruptcy proceeding, or discharged from all of the property owner's (or corporate parent's, as applicable) debts or obligations, or granted an extension of time to pay the property owner's (and the corporate parent's, as applicable) debts or subjected to a reorganization or readjustment of the property owner's (and the corporate parent's, as applicable) debts. The property owner must also certify that the property owner (or any corporate parent if the property owner is a single-purpose entity) has not filed for or been subject to bankruptcy protection in the past three years.
- j. The property owner must be current in the payment of all obligations secured by the subject property, including property taxes, assessments and tax liens, within the past 3 years (or since taking title to the subject property if it has been less than 3 years). The Municipality may review public records, including the real property records, to verify compliance with this requirement. Certain allowances may be made for property tax payment delays that do not reflect financial distress. Properties that are currently appealing a property tax assessment will be reviewed and eligibility will be determined on a case-by-case basis.
- 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). Exceptions may be granted on a case-by-case basis.
- l. The property owner must not have any involuntary liens, defaults or judgments applicable to the subject property. The Municipality may review public records, including the real property records and court documents, to verify compliance with this requirement. A property owner with an involuntary lien(s) may be allowed to participate in the Program if it can demonstrate an acceptable reason for the lien, default or judgment and a path for resolution along with supporting documentation. A property with an involuntary tenant's lien will be reviewed and eligibility will be determined on a case-by-case basis.
- m. The value of the property (based on current assessed value, appraised value determined by a Municipality -approved appraiser within 90 days of Program application, or market value calculated according to a method identified by the Municipality) plus the value of the Authorized Improvements financed by the Program must be equal to or greater than the sum of (i) the total private property debt including mortgages and equity lines of credit secured by the property, (ii) the principal amount of any Program indebtedness attributable to the property,

and (iii) the aggregate principal amount of any fixed assessment liens or other special tax debt on the property.

- n. The property owner must certify that the property owner is not party to any litigation or administrative proceeding of any nature in which the property owner has been served, or is pending or threatened which, if successful, would materially adversely affect the property owner's ability to operate its business or pay the special taxes when due, or which challenges or questions the validity or enforceability of the Unanimous Approval or any other documents executed by property owner in connection with the Program.
- o. The Program involves an obligation by the Municipality to collect and remit payments to lenders or bondholders. Therefore, it is important that property owners pay their PACE special assessment and other property-related obligations in full on a timely basis. Consequently, the Municipality 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 the assessment.



Industrial Cities

2. Eligible Property Improvements

In general, in order for property improvements to be eligible for financing through the Program, they must have a useful life of five years or longer, be attached to the real property or building and have the capacity to reduce energy, or generate clean power for the property. When and if the underlying legislation is amended so as to permit other types of improvements, such improvements must meet the criteria specified in the amending legislation in order to be eligible for financing through the Program.

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

Common Measures

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

Custom Measures

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

Ineligible Measures

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

Responsibility for Authorized Improvements

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

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

Minimum and Maximum Project Funding

The Program and/or the Municipality may require a minimum funding request as published from time to time on the Program’s web site. The Program will only authorize funding requests in an amount equal to the final cost of installing the Authorized Improvements (including, at the property owner’s option, other eligible expenses such as the energy audit fee) less State, County, Municipal, and Utility rebates plus the additional items identified in Chapter 12 “Financing Cost; Interest Rate,” below. The funding limits are per property per financing request. Maximum funding limits will also be limited to the property valuation as described in Chapter 1 “Eligible Properties,” particularly provision (n), above. Project lenders may impose additional minimum and maximum project funding requirements.



Solar Installations

3. Eligible Contractors

Qualified Contractors

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

Selecting an Energy Auditor

The commercial building energy audit market is fragmented, with no universally accepted standards for auditors. Property owners are encouraged to select an auditor with the experience, skills, and accreditation appropriate for their building and project type. Auditors must be able to produce an ASHRAE Level 2 or Level 3 audit in compliance with Chap 5. Energy Audits in this Program Handbook.

Selecting an Installation Contractor

The Authorized Improvements must be installed by contractors who meet the eligibility criteria set forth for the specific category of work being financed. These are the eligibility criteria:

- Energy efficiency measures must be installed by licensed contractors who are BPI certified
- Solar PV and water heating projects must be installed by a licensed contractor on the State or Local incentive program list

—or equivalent licenses and certifications, as documented and evidenced to the Program.

Note to Property Owners:

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

4. Project Financing

The NJ PACE Program uses a two-step financing process:

(1) Interim Financing from Local Lenders

Funding to begin construction (and pay other related costs) will come from an interim loan, arranged by and paid directly to the property owner. The Program Administrator will explain the NJ PACE program to the Lending Institution, but the Lending Institution will have its own credit criteria and make its own decision regarding the loan, its terms and conditions. Note that the Lending Institution will be making the loan based primarily on the value of the improved property and its ability (through foreclosure) to retire the loan in the event of default — *not* the ability of the property owner to personally repay the loan.

Early in the process, the property owner should contact the following lending institutions to ascertain their interest in providing an interim “construction” loan (1-2 years):

- a. The current mortgage-holder (if there is a mortgage on the property)
- b. Banks with which the property owner has relationships
- c. Banks doing business in the area
- d. Savings Institutions
- e. Credit Unions
- f. Private lending institutions

(2) Long-Term Financing from a Bond Issue

Where a Program bond is issued to a pre-identified project lender (for example, in a stand-alone bond issuance) that lender must be qualified to purchase a municipal bond through a private placement. Additionally, due to the fact that Bonds issued to finance loans made to PACE projects (“PACE Loans”) are not well known in the municipal bond markets, buyers of the bonds issued to fund PACE Loans (“PACE Bonds”) can be sold only to sophisticated investors. This means that the PACE Bond purchaser must be defined as at least one of the following:

- a. An “accredited investor” as defined by Rule 501(a) promulgated under the Securities Act of 1933; or
- b. A “qualified institutional buyer” as defined in Rule 144A under the Securities Act of 1933; or
- c. A bank, credit union, savings institution, or insurance company; or
- d. A custodial trust or similar arrangement.

Current New Jersey legislation states that a participating municipality may issue its own bonds, or use County Improvement Authority bonds, which we anticipate will be the preferred option.

5. Energy Audits

Energy Audits

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

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

Commercial and industrial energy conservation projects must obtain and use the results, as applicable, of an ASHRAE Level 2, Level 3, or equivalent audit to determine the potential improvements and work scope.

Purpose and Benefits

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



Vertical Axis Wind Turbine

6. Participation in Rebate/Incentive Programs

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

Given the benefits associated with such programs, the Program anticipates that most property owners will elect to participate in all applicable rebate and incentive programs that cover measures in their projects. The Program strongly encourages such participation, but does not require it in order to give property owners maximum flexibility.

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

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

Consequences of Nonparticipation in Rebate/Incentive Programs

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

7. Application and Approval Process

Program Costs/Fees

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

Two-Step Application Process

Program's application process is broken into two steps so that property owners can verify their eligibility before investing time and resources in completing the complete application. The process consists of two submissions: 1) Initial Application, and 2) Final Application, as detailed below. Applicants must complete both steps in order to be fully approved. If the applicant does not wish to verify eligibility prior to submitting the Final Application, they can submit both the Initial and Final Application at the same time.

Step 1: Submit an Initial Application

This step is a streamlined process for property owners to quickly indicate their interest in participation and to submit preliminary details of their proposed project. This gives the Program the ability to promptly ascertain project eligibility and issue a Conditional Reservation to owners that meet program requirements. The Program has developed an Initial Application form to be used in completing this step.

Items to be submitted with Initial Application:

- **Initial Application Form:** filled out completely
- **Corporate/Organizational Documents:** only necessary if property owners are not listed on the property title as individuals

The Program will review the completed Initial Application form and related items within ten (15) business days and determine if all eligibility requirements are met (incomplete applications will result in a longer review period). Upon approval of the application, the Owner will be issued a Conditional Reservation for participation in the Program. The Conditional Reservation will remain valid as long as the applicant makes progress toward completing the second step of the application process, according to the Program deadlines for submitting the associated Final Application. Failure to meet Program deadlines (or to obtain extensions to deadlines) for preparation of the Final Application may result in a cancellation of the Conditional Reservation. Approval of the Final Application will result in a Final Reservation for participation.

Step 2: Submit a Final Application

This step is a more detailed process that requires the property owner to complete all related planning and application tasks, including: conducting an energy audit, obtaining existing mortgage holder acknowledgment, and finding a project lender. Upon review and approval of the complete Final Application, the Program will issue a Final Reservation. The Program has developed a Final Application form and other related documents to be used in completing this step.

Items to be submitted with Final Application:

- **Final Application Form:** completed and signed by all property owners or their legally authorized representatives
- **Contractor Cover Sheet(s) and Bid(s):** copies of contractor bids for the work to be performed on the project, along with a completed Contractor Coversheet attached to each bid
- **Property Value Statement Form:** completed and signed by all property owners or their legally authorized representatives
- **Written Mortgage Lender Acknowledgement Form:** a completed and signed Lender Consent form from any and all existing mortgage or lien holders on the property
- **Energy Audit Reports:** copies of the appropriate energy and audits conducted on the property that contain identified opportunities or recommendations for the property improvements for which the property owner is seeking financing
- **Energy and Cost Savings Analysis Template:** completed by engineer or contractor with sufficient detail to fully demonstrate the cost and energy savings potential for a proposed project.
- **Rebate / Incentive Documents:** copies of applications and/or pre-approval letters from rebate/incentive programs from which the project will receive related funding
- **Title Search Payment:** property owners must cover the cost of the Program's title search to verify the property meets eligibility requirements.
- **Application Fee:** as specified from time to time in the Program documents

Tasks and Deadlines for Submitting Final Application

Related to the items to be submitted with the Final Application, there are three major tasks that must be accomplished between receipt of the Conditional Reservation and submission of the Final Application. Completing these tasks by certain deadlines (or receiving deadline extensions from the Program) is necessary in order to maintain the Conditional Reservation and also to prepare for submitting the Final Application.

The property owner must make progress toward completing these tasks within a certain timeframe relative to when the Conditional Reservation was issued. Those tasks, and their associated deadlines, are listed in Table 3 below.

Table 2 – Tasks & Deadlines for Maintaining Conditional Reservation

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

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

Final Application Approval

The Program will review the completed Final Application form and related items within ten (15) business days and determine if all eligibility requirements are met (incomplete applications will result in a longer review period). Upon approval of the application, the Owner will be issued a Final Reservation for participation in the Program.

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

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

8. Requesting Funding Disbursement

Funding Disbursement Types

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

The Program Administrator will review the funding request and the Project Verification documents and, if your request is approved, produce Final Program forms. The Final Program forms will be sent to you within ten (10) 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 copy of a signed final permit inspection from the Municipality’s Department of Building Inspection for applicable completed projects
- b. A copy of a final invoice from all contractors (or, for progress payments, an invoice stating percentage of work complete; see “Progress Payments” below.) The invoice must provide sufficient detail to permit review against the project presented in the Final Application.
- c. A copy of the letter of acceptance/notice to proceed from rebate or incentive programs, as applicable.

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

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

When the Program has received all required documentation from you, it will confirm your compliance with the eligibility requirements. The timing of when the Municipality will

record the PACE special assessment as an encumbrance on the subject property is determined on a case-by-case basis according to the terms agreed upon between the Municipality, the property owner, and the project lender. The Municipality will document the bond transaction with you and the project lender identified by you, and approve the issuance of bonds for purchase by the project lender.

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

In the event a property owner cancels financing after a request for funding is submitted to the Program, all expenses incurred by the Program for recording tax liens, preparing bond documents and removing tax liens will be the responsibility of the applicant. The Municipality will terminate the lien evidenced by recordation of the Notice of PACE special assessment upon receipt of reimbursement from the applicant for these expenses.

Table 3 – Related Disbursement Request Items to be Submitted

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

Progress Payments

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

Program Participation Expiration

Once the Program accepts your Final Application and issues a Final Reservation, your approval will be effective for 360 calendar days. Property owners that receive Program

approval must have a Qualified Contractor complete installation of the Authorized Improvements on the subject property and complete financing arrangements within this period. If you fail to have a Qualified Contractor complete the installation of Authorized Improvements on the subject property within the reservation period, your Program approval will expire. You may request to extend your Program approval prior to its expiration for an additional 90 days. However, you may have to pay an extension fee.

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



Industrial HVAC

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

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

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



Industrial Refrigeration

10. Description of Bond/Legal Documents

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

Table 4 – Major Bond/Legal Documents

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



Municipal Government

11. Financing Cost; Interest Rate

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

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

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

Interest Rate. The rate of interest on the bonds issued by the Municipality. In the case of a stand-alone bond, it will be negotiated between the property owner and the lender.

Capitalized Interest. Interest on the bond that is financed rather than paid with assessment payments. Depending on when a project’s financing is closed, it may not be possible to place the PACE special assessment on the Municipality property tax bill until the following tax roll cycle. Where such delay occurs, the interest payments that the property owner would have paid are capitalized into the principle amount.

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



Wind Turbines at Sunset

13. Important Legal Terms

Repayment Terms

Following execution of the Assessment Contract and recordation of the Notice of PACE special assessment, the property owner will be obligated to pay the assessment as specified in the Unanimous Approval and the Notice of PACE special assessment.

Project Lender Financing Terms with Stand-Alone Bonds

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

PACE Special Assessment

A property owner must pay the agreed-upon special tax/assessment payments 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 PACE special assessment. **The failure to pay your PACE special assessment in full will result in financial repercussions, including penalties, interest and, potentially, foreclosure of your property by the Municipality.**

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

Compliance with Existing Mortgages

Recordation of the Notice of the PACE special assessment will establish a continuing lien as security for the obligation to pay the special tax/assessment. The PACE special assessment will have priority over all other liens on the property, regardless of the time of their creation, including the existing purchase mortgage(s). Many mortgage and loan documents limit the ability of a property owner to further encumber the property – particularly encumbrances with priority over the mortgage/loan – without the acknowledgement of the lender, or authorize the lender to prepay the new lien. **Please confirm with any lienholder(s) that participation in the Program will not adversely impact your rights with respect to any existing loan documents, or obligate you to prepay your PACE**

special assessment. Property owners must notify the lender in writing and receive written acknowledgment from the lender prior to applying to the Program. The Program will provide lender acknowledgment templates, but responsibility for addressing issues with existing lenders is the property owners’.

Transfer or Resale of the Subject Property

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

Rebates and Taxes

Participation in this Program does not reduce rebates available through the federal, state or local rebate programs. Please consult with your tax advisors with respect to the tax implications of participating in the Program. Neither the Municipality nor the Program Administrator is responsible for the state or federal tax consequences of participating in the Program.

Changes in State and Federal Law

The Municipality’s ability to issue bonds to finance the Program is subject to a variety of State and federal laws. If those laws or the judicial interpretation thereof were to change after you have applied for funding (and, thereafter, incurred the cost of installation in anticipation of Program funding) but before the Municipality issues a bond to finance your funding request, the Municipality may be unable to fulfill your funding request. **The Municipality shall have no liability as a result of any such change in law or judicial interpretation.**

Changes in the Program Terms; Severability

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

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

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

Disclosure of Property Owner Information

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

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

Fraud

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

Exceptions to these Terms and Provisions

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

Appendix – Program Fees

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

Table 1 – Mandatory One-Time Fees

Mandatory fees are imposed on all projects. These mandatory fees cannot be financed.

Cost Description	Cost Timing	Applicant Fee	Notes
Application Processing Fee	At Initial Application		Application fee. Covers administrative cost of reviewing the property and proposed project for program eligibility.
Energy Audit	Before Final Application		Application fee. Cost depends on audit level and size of building (this fee is not paid to or through the program)
Technical Project Review	At Final Application		Application fee. Technical review by qualified engineering firm to ensure project is valid and has potential to save energy
Title Search	At Final Application		Application fee. Cost is related to size and complexity of ownership structure and history.
PACE Special assessment Administration	At closing		Financing fee. Covers the establishment and administration of the financing district
Recording Fee	At closing		Financing fee. Covers the cost of placing the PACE benefit lien
Bond Counsel	At closing		Financing fee. Bond counsel fees are based on the financed amount.

Table 2 – Ongoing Program Fees

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

Cost Description	Cost Timing	Applicant Fee	Notes
PACE Special assessment Administration – Tax Role Administration	Annually		Part of Annual Assessment Payment.
Tax Roll Inclusion	Annually		Part of Annual Assessment Payment.

Table 3 – Conditional One-Time Fees

Conditional fees are one-time expenses imposed on specific projects based on unique circumstances. Conditional fees cannot be financed.

Cost Description	Cost Timing	Applicant Fee	Notes
Technical Review (only for custom measures)	At Final Application		Application fee. Only required when applicant has chosen measures not currently found on eligible measures list.
Appraisal (if desired)	At Final Application		Application fee. If current assessed amount is not acceptable to property owner, property owner may secure alternative appraisal from approved appraiser
Pre-install Site Inspection	After application approval		Application fee. If measure(s) are eligible for utility incentives but applicant chooses not to participate, then pre-install inspection may be required.
Post-install Site Inspection	Before final payment		Closing fee. If measure(s) are eligible for utility incentives but applicant chooses not to participate, then post-install inspection may be required.
Progress Payment Request Processing	During construction		Post-Closing fee. Doesn't include on-site inspection activity or fees (assumption is that project lender will conduct inspection to verify progress, if desired).

Table 4 – Worked Example

2000 Main Street Property	Before PACE	After PACE
Revenue		
Rental Income	2,735,000	2,735,000
Expense Reimbursement (PACE)		50,000
Total Revenue	2,735,000	2,785,000
Expenses		
Property Taxes & Assessments	515,000	515,000
PACE Assessment		50,000
Energy Costs	330,000	225,000
Other Expenses	705,000	705,000
Total Expenses	1,550,000	1,495,000
Net Operating Income (NOI)	1,185,000	1,240,000
Building Value (7% Cap Rate)	16,930,000	18,430,000