

ADMINISTRATIVE GUIDELINES

This section outlines the **PROPERTYFIT** guidelines that govern all participants in the program. All participants agree to adhere to the terms and conditions of the Administrative Guidelines, as amended from time-to-time by Program Administrator to reflect changes in market conditions. The Program Administrator reserves the right, at its sole discretion, to make exceptions to these guidelines on a case-by-case basis.

KEY DEFINITIONS

ASSESSOR	The Multnomah County Department of Assessment, Taxation and Recording.
<u>BENEFIT ASSESSMENT LIEN</u>	The lien that is recorded against the property that establishes the benefit assessment and secures repayment of the CPACE Financing.
CAPITAL PROVIDER	The entity that will provide financing for the Energy Improvements to complete the project.
CPACE PROJECT	Energy Improvements made to Qualified Real Property, whether financed directly with CPACE Financing or through incentives or other sources in combination with a CPACE Financing.
ENERGY IMPROVEMENTS	Energy efficiency or renewable energy improvements made to Qualified Real Property authorized by ORS 223.680.
QUALIFIED REAL PROPERTY	Commercial, industrial or multifamily residential dwellings (of five or more units) buildings located in Multnomah County that can benefit from Energy Improvements.
PROGRAM ADMINISTRATOR	The Portland Development Commission.
PROPERTY OWNER	The legal owner(s) of the “fee simple” interest in the Qualified Real Property (including nonprofit owners.)

MINIMUM STATUTORY AND PROGRAM REQUIREMENTS

SERVICE AREA	Multnomah County, Oregon
ELIGIBLE PROPERTY	Qualified Real Property (see definitions)

ELIGIBLE APPLICANT	A Property Owner as defined above.
SECURITY	The financing is evidenced by a CPACE Financing Agreement and secured by Benefit Assessment Lien recorded against the Qualified Real Property. By statute the Benefit Assessment Lien has priority over all other liens recorded against the property, junior only to property taxes.
MINIMUM CREDIT STANDARDS	<p>The Property Owner must meet the following credit standards:</p> <ul style="list-style-type: none"> ▪ Be current and in good standing on all debt owed to Multnomah County; ▪ Be current on all real property taxes; ▪ Not have outstanding involuntary liens, collections or charge-offs; ▪ Be current on all existing mortgages; and ▪ May not be in, or have filed for, bankruptcy in the past three years.
ELIGIBLE USES	<p>Eligible uses include payment of:</p> <ul style="list-style-type: none"> ▪ The cost of energy audits; ▪ The cost of Energy Improvements to Qualified Real Property; ▪ The cost of non-energy improvement that are directly related to the installation of Energy Improvements (e.g. roof upgrades to support a roof-mounted solar PV installation); ▪ Commissioning; and ▪ Fees, reserves and other PROPERTYFIT program costs.
LIEN-TO-VALUE (LITV)	Maximum of 30 percent of the “after completed” value of the property
APPRAISAL REQUIREMENTS	The property value for lien-to-value purposes will be first determined by reviewing the real market value as determined by the Assessor. If the project performs within the LiTV limitations, this value will be adequate for underwriting purposes. If the LiTV limits are exceeded using the Assessor’s real market value, a current appraisal may be required. This requirement will be influenced by the needs of existing mortgage holders that must consent to the filing of the Benefit Assessment Lien . In the case of new construction, where an Assessor established real market value is not available, a current appraisal will be required. You can access current Assessor data from Portland Maps .
MAXIMUM TERM	The weighted average useful life of approved Energy Improvements as determined by Program Administrator after review of the Energy Audit.
AMORTIZATION	The CPACE Financing must be fully amortized over its term. Balloon payments are not allowed.

PAYMENT AND SERVICING	The Program Administrator issues the official PROPERTYFIT benefit assessment statements annually in July, with payment due to the Capital Provider in three equal installments on the following October 1, January 1 and April 1. The Capital Provider manages standard payment collection so long as the financing is not in default. If the account becomes delinquent, the Capital Provider may request that the delinquency be certified to the Assessor for collection through the standard property tax collection system.
EVIDENCE OF OWNERSHIP AND ENCUMBRANCES	A preliminary title report is required prior to closing to show evidence of ownership and all encumbrances recorded against the property.
MORTGAGEE CONSENT	Where there is an existing mortgage or deed of trust recorded against the property, the mortgagee must: <ul style="list-style-type: none"> ▪ Be given written notification (Existing Mortgage Holder Notice) that the Property Owner intends to enter into a CPACE Financing Agreement; ▪ Provide its written consent (Existing Mortgage Holder Consent) for the Property Owner to enter into the CPACE Financing Agreement; and ▪ Confirm in writing that the proposed CPACE Financing does not constitute an event of default under the terms of existing agreements between Property Owner and mortgagee.

PARTICIPATION IN REBATE/INCENTIVE PROGRAMS

Although not required, **PROPERTYFIT** strongly encourages Property Owners to participate in all rebate and incentive programs available to the project based upon the proposed Energy Improvement. Rebates and incentive programs provide participants with cash payments or tax credits for implementing Energy Improvements, thus reducing overall project costs. This can lower the total amount a Property Owner will need to finance. Rebate and incentive programs can also act as a third-party check on the validity of the proposed Energy Improvements and their likely energy savings, thus reducing additional **PROPERTYFIT** project review costs that would otherwise be passed on to the Property Owners. To learn more about incentives and rebates visit:

[Energy Trust of Oregon](#) [Portland General Electric](#) [Pacific Power](#)
[Northwest Natural Gas](#) [Oregon Department of Energy](#) [US Dept. of Energy](#)

TECHNICAL STANDARDS AND REVIEW

Property Owners, with the assistance of qualified energy experts, are required to submit a building energy audit and a scope of work that defines the proposed Energy Improvements. This scope can range from installation of a single Energy Improvement to a whole building energy upgrade involving multiple Energy Improvements. These Technical Standards describe the requirements to which all projects must comply. The methodology in these Technical Standards is designed to provide a flexible framework within which to qualify and manage the multiple and varied energy improvement projects applying to **PROPERTYFIT**.

ELIGIBLE/INELIGIBLE ENERGY IMPROVEMENTS

ELIGIBLE ENERGY IMPROVEMENTS

Energy Improvements eligible for CPACE Financing must meet two requirements:

- Lower energy consumption of the building or generate renewable energy; and
- Be permanently affixed to the property and taxed as “real” vs. “personal” property by the Assessor.

A few examples of proven energy efficiency technologies include:

- HVAC upgrades
- Automated building controls
- Variable speed drives on motors, fans and pumps
- High efficiency:
 - Lighting
 - Chillers
 - Boilers
 - Furnaces
 - Water heating systems
- Combustion and burner upgrades
- Fuel switching
- Heat recovery and steam traps
- Building envelope improvements
- Energy management systems
- Renewable energy systems:
 - Solar
 - Fuel Cells
 - Geothermal
 - Wind

In addition, the cost of non-energy improvements that are directly related to the installation of eligible Energy Improvements are eligible (e.g. roof upgrades to support a roof-mounted solar PV installation.)

INELIGIBLE ENERGY IMPROVEMENTS

Energy improvements ineligible for the CPACE Financing include:

- Appliances (e.g. refrigerators, dishwashers);
- Plug load devices;
- Vending machine controls; or
- Any measure that is easily removed or not permanently installed.

ENERGY AUDIT REQUIREMENTS

TECHNICAL METHODOLOGY **PROPERTYFIT** is designed to leverage the energy audit capacity of Energy Trust. When Energy Trust is funding an audit, **PROPERTYFIT** will defer to its technical methodology. Energy Audits conducted by other qualified individuals must be based upon two established industry protocols. The level of energy audit will be influenced by a number of factors, including the number, and complexity of the Energy Improvements and the project's anticipated total capital investment.

- American Society for Testing and Materials (ASTM) E2797-15, Building Energy Performance Assessment (BEPA) Standard directed at data collection and baseline calculations for the energy audit; and
- American Society of Heating, Refrigeration and Air Conditioning (ASHRAE) Level I, Level II, and Level III Energy Audit Guidelines.

ENERGY AUDIT CRITERIA An energy audit or renewable energy feasibility analysis conducted by a Qualified Individual is required. The audit report must provide:

- A representative baseline;
- Historical electrical and/or fuel use costs, consistent with ASTM E2797-15;
- A description of the proposed Energy Improvements;
- The estimated effective useful life (EUL) for each Energy Improvement;
- The estimated total installed cost of each Energy Improvement;
- The estimated total project cost;
- The source used to establish Energy Improvement costs;
- The uncertainty (+/-) associated with the methodology used to establish Energy Improvement Costs;
- The estimated energy savings and/or energy generation that can confidently be achieved; and
- The uncertainty (+/-) associated with the methodology used to estimate the energy savings.

QUALIFIED INDIVIDUAL All audits must be prepared by an energy engineer or by a team with an energy engineer. An energy engineer is defined as a professional holding:

- A Certified Energy Manager (CEM);
- A Certified Energy Auditor accreditation (CEA);
- A Professional Engineer (PE) with demonstrated relevant energy experience; or

- A contractor with relevant demonstrated experience as determined by Program Administrator.

AUDIT ELIGIBILITY

Audits may be obtained through the Energy Trust or an independent entity. Energy Trust may cover all or a portion of the audit cost if it is conducted under an Energy Trust program. If an audit is conducted outside of an Energy Trust program, the Property Owner is responsible for the cost of the audit which may be incorporated into the CPACE Financing and reimbursed at closing. Audits conducted outside of an Energy Trust program must meet ASHRAE energy audit criteria. Audits previously conducted for the building may be eligible at the Program Administrator’s discretion. Factors such as scope and age of the audit and whether existing conditions have changed since the audit was completed will be considered.

AUDIT PROCESS

The level of energy audit will depend upon several factors, including but not limited to: the number and complexity of the Energy Improvements, size (cost) of the project, property type, and the Property Owner’s desired level of certainty about energy savings. It will generally consist of:

- An on-site survey of the building to assess a building’s energy cost and potential Energy Improvements (single or multiple);
- A utility bill analysis to assess its efficiency; and
- A report summarizing a building’s energy use, recommended eligible Energy Improvements, projected energy savings, and payback period.

The on-site survey may target a specific building component that is intended to be replaced, upgraded or added, or could include checking all major energy-using systems. If the latter, a more rigorous technical analysis study is warranted.

COST ESTIMATES

Cost estimates in the energy audit are estimates only. Prior to closing of the CPACE Financing, cost estimates must be updated with final costs based upon the construction/installation contracts executed between Property Owner and Enrolled Contractor. Although not required, the Property Owners may want to solicit multiple bids in order to ensure a competitive price for the purchase and installation of the Energy Improvements. The Program Administrator will review final contract amounts to determine that the final scope of work is compliant with the requirements of [ORS 223.680](#) and this guide.

ENERGY IMPROVEMENT

Property Owner will enter into an agreement with an Enrolled

INSTALLATION

Contractor to perform the installation of the Energy Improvements. Program Administrator or Capital Provider may conduct a site visit(s) during and at the completion of the project to monitor and verify installation.

RENEWABLE ENERGY FEASIBILITY ANALYSIS REQUIREMENTS

PROPERTYFIT requires a renewable energy feasibility analysis that assesses the energy cost savings over the project's useful life. Studies will differ in content based upon the type of renewable energy project, but at a minimum must:

- Be prepared by an appropriately licensed individual with the necessary credentials to perform the study;
- Describe the proposed renewable energy system;
- Identify and evaluate suitability of the building/site for the proposed improvement (including determining the structural integrity of the buildings to support a rooftop solar PV installation if roof-mounted solar is part of the planned Energy Improvements);
- Collect historical data on the building's electrical and fuel use and cost;
- Assess the improvements' expected performance, energy production and requirements to maintain optimized operation (including estimated maintenance costs);
- Compare improvements' expected performance (electricity and/or heat production) against total energy consumption of the building;
- Estimate the effective useful life (EUL) of each Energy Improvement; and
- Estimate total cost to acquire and install the each Energy Improvement.

ENERGY USE BASELINE

The ASTM Building Energy Performance Assessment (BEPA) protocol established a standardized methodology for baseline building energy use data collection, compilation and analysis. The methodology is intended to fill data collection and analysis gaps in the ASHRAE energy audit guidelines and establish a sound, representative building energy use baseline. The ASTM BEPA methodology standardizes a number of major variables associated with data collection and analysis. This overarching methodology dictates the data and history that should be collected at each site. Preferably, baseline period over which the building's energy consumption data is collected should be three years, or back to the last major renovation if completed in less than three years, **with a minimum of one year of data collection.**

For buildings where it is impossible or prohibitively difficult to obtain the required historical energy consumption data, the following methodologies may be used to establish baseline building energy use. A building energy use simulation model can be used to project energy use after the Energy Improvements are complete and compare it to a modeled baseline which may be determined using equipment as specified in the building energy code, or a modeled baseline determined based upon existing equipment (that may no longer be operating.) Ultimately, the Program Administrator has responsibility and sole discretion to approve the appropriate energy use baseline for a particular project.

ENERGY USE BASELINE TABLE

BUILDING DESCRIPTION					
BUILDING TYPE	Existing	Existing	Existing	Existing	New
EQUIPMENT/ SYSTEMS	Existing	Existing	Existing	New	New
PROPOSED USE	No change	No change	New	New	New
OCCUPANCY	Fully Occupied	Partially Occupied or Vacant	Vacant	Vacant	Vacant
BASELINE REQUIREMENT					
ENERGY USE DATA	Existing utility data	Supplement existing utility data with energy use simulation model to achieve full occupancy estimates	Energy use simulation model based upon full occupancy under new use	Energy use simulation model based upon full occupancy under new use	Energy use simulation model based upon full occupancy under new use
ENERGY MODELING BASED UPON	Existing equipment, regardless of estimated remaining life	Existing equipment, regardless of estimated remaining life	Existing equipment, regardless of estimated remaining life	Current code	Current code

NEW CONSTRUCTION/MAJOR RENOVATION STILL BEING REFINED

New construction and major renovation and repositioning of a property present unique opportunities and challenges for the **PROPERTYFIT** program. The CPACE financing structure can unlock capital to enable a Property Owner to achieve higher building performance – improvements that are often “value engineered” out of a project – and, it may also replace all or a portion of high cost mezzanine financing. The challenge is isolating the cost of Energy Improvements independent of the larger project. To take advantage of the opportunities and address the challenges, **PROPERTYFIT** has established the

following unique requirements for new construction and major renovation projects. All program requirements outlined elsewhere in this Program Guide apply unless specifically modified below:

NEW CONSTRUCTION/MAJOR RENOVATION SAVINGS REQUIREMENTS AND CPACE FINANCING CAPS			
<i>TYPE OF PROJECT</i>	<i>ENERGY IMPROVEMENT SCOPE</i>	<i>SAVINGS ABOVE BASELINE</i>	<i>CSPACE FINANCING CAP (AS A % OF TOTAL CONSTRUCTION COSTS)</i>
<i>TIER I</i>	Core and Shell	15%	15%
	Core, Shell and Tis	20%	
<i>TIER II</i>	Core and Shell	40%	25%
	Core, Shell and Tis	50%	

DEFINITION OF NEW CONSTRUCTION/REPOSITIONING	The construction of an entirely new structure(s) or the significant extension to or complete repositioning of an existing structure(s).
APPRAISAL REQUIREMENTS	Copy of the primary construction lender’s appraisal detailing the “as is”, “as completed” and “as stabilized valued.
NEW CONSTRUCTION BASELINE	The 2014 Oregon Energy Efficiency Specialty Code.
ADDITIONAL AUDIT REQUIREMENTS	A report using ASHRAE Appendix G methodology showing that the building plans achieve the required savings above baseline.
DEFINITION OF TOTAL CONSTRUCTION COSTS	All direct and indirect costs of materials, labor and soft costs related to design, evaluation, installation and construction of the new structure. This includes energy audit costs, architecture and engineering fees, surveys’, contractor general conditions, financing, legal and other fees.
EXCLUDED COSTS	<ul style="list-style-type: none"> ▪ Land costs and off-site improvements ▪ Environmental remediation ▪ Equipment not permanently install on the property ▪ Developer fees

REVIEW OF THE ENERGY AUDIT/FEASIBILITY STUDY

The complete energy audit or feasibility study is submitted to the Program Administrator, or its representative, to validate that the scope of work meets the required technical standards, the Energy Improvements meet **PROPERTYFIT** eligibility requirements, the recommended Energy Improvements are technically and financially feasible, and all stakeholder underwriting data needs are satisfied. The

Program Administrator will also evaluate the project's key financial metrics (ROI, IRR, NPV, SIR, cash flow and payback period) based on the anticipated term of the CPACE Financing.