

EXHIBIT A

COMMERCIAL PROPERTY ASSESSED CLEAN ENERGY ADMINISTRATIVE GUIDELINES

VERSION 1

Multnomah County and the Portland Development Commission have partnered to create the Commercial Property Assessed Clean Energy (CPACE) program. These guidelines document the statutory and program requirements participants in the program must adhere to. In addition, private lenders (including PDC) may also impose additional underwriting requirements to conform with their unique lending standards.

PROGRAM OVERVIEW – STATUTORY AUTHORITY

Commercial Property Assessed Clean Energy (CPACE) is an innovative financing structure that enables owners of commercial, industrial and multifamily residential properties (with five or more units) to obtain long-term financing for energy-efficiency improvements and renewable energy retrofits. These improvements conserve energy, improve air quality by reducing greenhouse gas emissions, reduce energy costs, and, have the added benefit of fostering economic growth, creating jobs and improving property values.

The CPACE statute (ORS 223.396) passed and was signed into Oregon State law in 2009 and amended during the 2014 legislative session. The law authorizes local governments to establish a CPACE program. The program assists owners to finance cost-effective energy improvement to qualifying real property. The law authorizes local governments to provide financing secured with a lien on the benefitted property in the manner and with the same priority as a lien for the assessment of local improvements (LI) authorized by ORS 223.393. The LI lien is an established mechanism that has been used by municipalities for decades to finance projects such as street improvements, water, sewer and street lighting.

The CPACE structure addresses the principal market barriers to investment in energy efficiency and on-site renewable energy projects. It offers building owners up-front funding for up to 100 percent of the cost of energy upgrades; the financing is repaid with CPACE benefit assessments payments with a maximum term set at the average useful life of the energy upgrades.

CPACE assessments attach to and follow title to the property. If the property is sold before the CPACE loan is fully repaid, the assessment remains in place and the repayment obligation is automatically

transferred to the next owner. The senior lien status of a CPACE assessment substantially reduces lender risk, making CPACE loans very secure and attractive to long-term lenders and investors.

POLICY LINKAGES

The CPACE program supports a number of greenhouse gas reduction, redevelopment and economic development goals of the City and County. The program is designed to:

- Support Multnomah County and the City of Portland goal of reducing greenhouse gases by 40% by the year 2030 and 80% by the year 2050, over 1990 levels. Achieving these targets, both locally and globally, is critical in order to avoid the worst impacts of climate change. To achieve the 2030 goal the energy use of existing buildings must be reduced by 25%, and 50% of all energy used in buildings must come from renewable resources with 10% coming from onsite renewable sources.
- Provide building owners with a cost effective financing tool to encourage comprehensive energy efficiency retrofits and installation of renewable energy systems in commercial, industrial, and multifamily (5+ units) buildings.
- Stabilize the region's economic infrastructure through building retrofits to reduce energy consumption; and improve the value, building performance, and marketability of commercial, industrial, and multifamily real estate within the County.
- Stimulate new business development, job creation and the creation of new family wage jobs for County residents through increased number of energy efficiency projects, with an emphasis on supporting minority/women contracting and providing opportunities for workforce development specifically targeted to underserved populations.
- Develop a platform to launch new technology and leverage the region's thought leadership in the energy efficiency and green building industries.
- Coordinate the real estate, finance, energy, and government sectors to create a successful energy efficiency market that is lean, scalable, and financially sustainable.
- Leverage capacities and create partnership between the public, private and nonprofit sectors.

PROGRAM BENEFITS

CPACE offers multiple benefits to a broad range of stakeholders.

FOR BUILDING OWNERS

CPACE helps minimize the up-front investment while helping owners lower their operating costs, improve the value and market competitiveness of their asset, and meet energy performance mandates. CPACE does this in several ways:

UP TO 100% FINANCING – Many owners lack capital to do energy improvements. CPACE provides up to 100% up-front, long-term financing to property owners for qualified energy upgrades. Audit, construction and financing costs can be wrapped into CPACE financing.

LONG TERM FINANCING – While commercial real estate lenders generally provide only 5-10 year financing, the long-term nature of the CPACE financing allows building owners to pursue capital intensive, deeper retrofits.

CPACE ASSESSMENTS STAY WITH THE PROPERTY – Owners may want to sell the building before an energy upgrade loan is repaid. The CPACE assessment obligation is attached to the property and can transfer to the new owner.

ABILITY TO PASS PAYMENTS THROUGH TO TENANTS – CPACE can solve the “split incentive” or misalignment of incentives that arise between owners and tenants. Owners are less likely to undertake energy retrofits when they pay for the improvements but tenants receive the financial benefits through lower monthly utility bills. Under most leases, CPACE allows the owner to pass the benefit assessment to the tenants.

FOR TENANTS

Energy efficiencies and renewable energy investments promote healthy indoor environments that can lead to higher worker productivity and improved worker health. A competitive advantage in the marketplace may be realized by businesses that choose to locate in buildings that prioritize environmental stewardship.

FOR ENERGY AUDITORS AND CONTRACTORS

A significant barrier to converting leads to deals for energy upgrades is the lack of access to up-front financing. CPACE solves this. By allowing a property owner to access up to 100% of the up-front financing over the average useful life of the energy upgrades, deeper energy efficiency and clean energy improvements are now affordable.

FOR MUNICIPALITIES

CPACE is an economic development tool. Energy upgrades create a more competitive environment for retaining and attracting new businesses by lowering energy consumption. Energy upgrades also create jobs and reduce greenhouse gases and other pollutants and help to maintain the community’s commercial building stock.

FOR LENDERS

CPACE is a very secure, clean energy financing product for lenders. The security comes from its position as a tax lien on a property. The tax lien, like all public benefit assessments, sits in a senior position to other encumbrances on the property, including mortgage debt and liens other than municipal property tax liens.

FOR MORTGAGE HOLDERS

The structure of CPACE allows for energy improvements to be paid by the energy cost savings the project creates. Where a CPACE project is structured in this manner, a building is likely to see increased Net Operating Income (NOI) and an immediate return on investment. As a result, it becomes more attractive to current and potential tenants and future buyers. Oregon statutes require that property owners receive the written consent of their existing mortgagees before being eligible for CPACE financing.

FOR MINORITY, WOMEN AND EMERGING SMALL BUSINESS CONTRACTORS

CPACE expands a commercial building owner's financing options for the energy efficiency projects resulting in more contracting opportunities, some of which will be from public investment with good faith effort goals and workforce development requirements.

DEFINITIONS

CPACE PROJECT:	Energy Improvements made to Qualified Real Property, whether financed directly with a CPACE Loan or through incentives or other sources in combination with a CPACE Loan.
ENERGY IMPROVEMENTS:	Energy efficiency or renewable energy improvements made to Qualified Real Property authorized by CPACE.
QUALIFIED REAL PROPERTY:	Multifamily residential dwellings (of 5 or more units), or commercial or industrial buildings located in Multnomah County that can benefit from Energy Improvements.

MINIMUM STATUTORY AND PROGRAM REQUIREMENTS

SERVICE AREA:	Multnomah County
ELIGIBLE PROPERTY:	Qualified Real Property

ELIGIBLE BORROWER:	Must be the legal owner(s) of the property and all owners must agree to participate.
SECURITY:	The CPACE Loan is evidenced by a loan agreement and promissory note secured by a CPACE benefit assessment lien recorded against the Qualified Real Property. By statute, this benefit assessment will have priority over all other liens recorded against the property, junior only to real property taxes.
MINIMUM CREDIT STANDARDS:	<p>The Borrower (and all principals of the company if owned by a LLC, LP, or corporation) must meet the following credit standards:</p> <ul style="list-style-type: none"> • Be current and in good standing on all debt owed to the County; • Be current on all real property taxes; • Not have outstanding liens, collections or charge-offs; • Be current on all existing mortgages; and • May not be in, or 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; • Non-energy improvements costs that are essential to completing the Energy Improvements; and • Fees, reserves and other CPACE program costs.
MAXIMUM TERM:	The weighted average useful life of approved Energy Improvements
AMORTIZATION:	The loan must be fully amortized over its term. Balloon payments are not allowed.
ADMINISTRATIVE FEE:	Closing Fee of 1.00 percent of the gross loan amount payable to the Program Administrator at closing.

Annual Program Administrative Fee of 0.50 percent of the average outstanding balance annually.

**EVIDENCE OF OWNERSHIP
AND ENCUMBRANCES:**

A Tractbook/Monetary Encumbrance Report, or 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 lien recorded against the property, the mortgagee must:

- Be given written notification that the owner intends to enter into a CPACE Loan agreement;
- Provide its written consent for the owner to enter into the CPACE Loan agreement, and
- Confirm in writing that the proposed CPACE Loan agreement does not constitute an event of default under the terms of existing agreements between owner and mortgagee.

ELIGIBLE MEASURES:

Upgrades eligible for CPACE financing must meet two requirements:

- Lower energy consumption of the building or enable the building to produce clean energy; and
- Be permanently affixed to the property;

INELIGIBLE MEASURES:

Measure ineligible for the CPACE financing include:

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

TECHNICAL REVIEW

Building owners, with the assistance of qualified energy experts, are required to submit a scope of work that defines the proposed Energy Improvements. This scope can range from

installation of a single measure to a whole building energy upgrade involving multiple measures.

ENERGY AUDIT CRITERIA: An energy audit or renewable energy feasibility analysis conducted by a qualified individual is a requirement of the CPACE Program.

The audit report will provide:

- representative baseline;
- a description of the proposed Energy Improvements;
- estimated effective useful life for each Energy Improvement measure;
- estimated total installed cost of each Energy Improvement measure;
- estimated total project capital cost;
- estimated energy savings and/or energy generation that can be achieved; and,
- key financial metrics (ROI, IRR, NPV, SIR, cash flow and payback period on anticipated term of the CPACE loan (including incentives)).

QUALIFIED INDIVIDUAL: All audits must be prepared and submitted by an energy engineer or by a team including an energy engineer. An energy engineer is defined as a professional holding a Certified Energy Manager or Certified Energy Auditor accreditation, a Professional Engineer with demonstrated relevant energy experience, or a contractor with relevant demonstrated experience.

AUDIT ELIGIBILITY: Audits may be obtained through the Energy Trust of Oregon (Energy Trust) or an independent entity. All audits must meet criteria described in the section above. In most instances, Energy Trust will cover the cost of the audit if it is conducted under an Energy Trust program. If an audit is conducted outside of an Energy Trust audit program, the borrower will be responsible for that cost. This cost may be incorporated into the CPACE Loan amount and reimbursed at closing.

Audits previously conducted for the building may be eligible. It will be at the discretion of the Program Administrator to determine eligibility

based on factors such as scope and age of the audit and if existing conditions have changed since the audit was completed.

AUDIT PROCESS:

The audit scope and process will depend upon the depth of the potential project scope. It will generally consist of:

- A walkthrough survey of the building to assess a building's energy cost and potential measures (single or multiple);
- A utility bill analysis to assess its efficiency; and
- A report summarizing a building's energy use, eligible Energy Improvement, potential energy savings, and payback period of each measure.

The walkthrough may be targeted at a specific building component that is intended to be replaced or upgraded or added (such as in the case of installing a solar energy system) or may include checking all major energy-using systems and specify where further consideration and more rigorous investigation is warranted.

BID SOLICITATION:

Owners may want to solicit multiple bids in order to ensure a competitive bid for the purchase and installation of Energy Improvements, but multiple bids are not required by the program. Program Administrator will review bids and make a determination that the scope of work is compliant with the requirements of ORS 223.396 and Administrative Guidelines herein.

ENERGY IMPROVEMENT

INSTALLATION:

Borrower will enter into an agreement with a contractor to perform the installation of the Energy Improvements. Program Administrator (or approved third-party) will conduct a site visit at the completion of the project to verify installation.