

GreenFinanceSF-Commercial: Program Overview

Financing for Energy Efficiency, Renewable Energy & Water Conservation Improvements

Purpose

The purpose of the GreenFinanceSF-Commercial Program is to:

- Provide commercial property owners in San Francisco access to a new form of financing for the installation of energy efficiency, renewable energy, and water conservation improvements – and to accelerate their installations.
- Help commercial property owners reduce operating costs, improve occupant health and comfort, enhance building value, and mitigate environmental impact.
- Provide financial institutions with very secure collateral to facilitate project financing at attractive rates.

Timing

The Program officially launched on October 13, 2011, and is now accepting applications.

Type of Financing

GreenFinanceSF-Commercial is a Property Assessed Clean Energy, or PACE program. PACE provides building owners access to low-cost financing to make clean energy upgrades. PACE is completely voluntary, and greatly improves the economics of investing in these kinds of money-saving improvements, which can ultimately reduce operating costs, make your building more attractive to tenants, and enhance property value.

The GreenFinanceSF-Commercial program is using the “open market” PACE model in which property owners negotiate project financing, including the interest rate and repayment term, with qualified project lenders willing to fund their project. When a project is approved, the City sells a bond to the project lender, and the proceeds from the sale fund the project. A special tax is then levied on the property, which is collected through the property tax bill and paid back to the project lender. Other key features of PACE are that it provides for the option of longer amortizations than typical commercial loans, and the payment obligation can run with the property, not the owner. The Program will assist in facilitating introductions between interested owners and qualified project lenders.

Security

The financing repayment is secured by a senior lien on the property. The City is providing an additional security option by establishing a Debt Service Reserve Fund (DSRF) that will help cover project lenders in the event of late payments or default by the property owner. The City is utilizing grant funds provided under the American Recovery and Reinvestment Act (ARRA) for the DSRF, so projects must apply to the City for consideration to take advantage of this limited credit enhancement option.

Applying

GreenFinanceSF-Commercial will accept financing proposals from property owners on a rolling basis with the expectation that all qualified applications will be approved. Once the DSRF is fully allocated to approved projects, and other grant funds that cover program operational costs are exhausted, applicants will either have to cover such costs through additional fees, or by adding them to their total financed amount. Property owners are encouraged to apply as soon as possible to benefit from these supporting grant funds before they are used up.

See “Additional Information” on page 2 of this document for more information on how to apply.

Program Participation Requirements

In order to protect both the property owner and project lender, and better ensure program success, the City has instituted the following program elements, summarized below. A complete and detailed description of these requirements, along with the program terms and other useful resources, can be found in the “Program Handbook,” which is available online or by request (see “Additional Information”, below).

- **Underwriting Requirements:** While each project lender may set more stringent underwriting requirements, all properties must meet the GreenFinanceSF-Commercial program criteria to participate, which include:
 - **Location:** The property must be located within the County of San Francisco.
 - **Property-Based Debt:** The property must not be in default, or have a history of default on the mortgage or non-payment of property taxes. It also must not have filed for bankruptcy recently, nor have significant pending legal action, nor any involuntary liens or judgments.
 - **Debt Limit:** The combined debt (including new project financing) on the property cannot exceed the current value of the property. The property value is determined by using the current assessed value, or a recent appraisal by a City-approved appraiser.
 - **Consent of Lien Holders:** If the property has a mortgage or other private liens on the property, then these debt holders must consent in writing to the placement of a senior lien on the property.

- **Audit Requirements:** GreenFinanceSF-Commercial requires that participating properties receive a program-approved energy audit, which is used to identify and prioritize building-specific energy saving opportunities and to predict project savings. The cost of the audit can be included in the financed amount.

- **Eligible Measures:** The Program has an extensive list of common energy efficiency, renewable energy, and water conservation measures that are eligible for financing. The building must reduce energy use by 10% through efficiency measures as a condition for being approved for an on-site renewable energy project. Custom measures may be proposed on a case-by-case basis, which will require additional technical review by the Program, at additional cost.

- **Verification and Quality Assurance:** In order to ensure expected savings are realized, GreenFinanceSF-Commercial requires owners to participate in utility rebate or customized incentive programs (where available and applicable) that offer verification/inspection mechanisms, or to submit to independent project review and site inspections at additional cost. Progress payments can also be arranged – also at some additional cost.

- **Performance Tracking:** Property owners may be required to enroll in free or low-cost energy usage tracking services to help track how the installed improvements are performing over time. Property owners are encouraged to do more detailed performance analysis on their own to further ensure continued energy and cost savings.

Additional Information

Please visit www.GreenFinanceSF.org for more information.

If you have specific questions, feel free to send an email to contact@greenfinancesf.org, or call 415-937-7223.

Thank you.