



AGENDA REPORT

City of Adelanto
Adelanto Governmental Center
11600 AIR EXPRESSWAY
ADELANTO, CALIFORNIA 92301

DATE: May 26, 2010

TO: Honorable Mayor and City Council Members

FROM: D. James Hart, City Manager

BY: Aaron Palmer, Deputy City Manager-Support Services

SUBJECT: PUBLIC HEARING - Formation of an Energy Efficiency Assessment District

STAFF RECOMMENDATION:

Hold a public hearing and approve Resolution 10-37: Establishing an Energy Efficiency District to allow home owners to finance the installation of distributed generation renewable energy sources or energy efficiency improvements that are permanently fixed to real property.

BACKGROUND:

On July 21, 2008, the Governor signed into law AB 811, which became effective immediately as an emergency measure. The bill authorizes cities to establish a program to enter into contractual assessment agreements with property owners to finance the installation of distributed generation renewable energy sources or energy efficiency improvements that are permanently fixed to real property. In summary, an AB 811 program allows cities, via an assessment district, to make a loan to property owners for the purchase and installation of such improvements. Although this is referenced as a loan from the City, there are no City funds involved since all funding comes from the sale of bonds and property owners repay the bond loan through a contractual assessment on their property. The contractual assessments are collected on property owner's tax bills at the same time and in the same manner as property taxes.

On April 14th, 2010 the City Council Adopted Resolution No. 10-23 declaring its intent to establish an Energy and Water Efficiency District and adopt the CA PACE Program pursuant to AB 811. Resolution No. 10-23, among other things, briefly described the proposed arrangements for funding the Program and directed the preparation of a report as required by AB 811 and set May 12th, 2010 as the date for a public hearing on the Program. However, due to noticing issues, the public hearing was moved to May 26, 2010.

AB 811 requires the report to provide all of the following:

1. A map showing the boundaries of the territory within which contractual assessments are proposed to be offered.

2. A draft contract specifying the terms and conditions that would be agreed to by a property owner and the City.
3. A statement of City policies concerning contractual assessments including all of the following:
 - a. Identification of types of facilities, distributed generation renewable energy sources, or energy efficiency improvements that may be financed through the use of contractual assessments.
 - b. Identification of a city official authorized to enter into contractual assessments on behalf of the City.
 - c. A maximum aggregate dollar amount of contractual assessments.
 - d. A method for setting requests from property owners for financing through contractual assessments in priority order in the event that requests appear likely to exceed the authorization amount.
4. A plan for raising a capital amount required to pay for work performed pursuant to contractual assessments, including a statement of or method for determining the interest rate and time period during which contracting property owners would pay any assessment; and the apportionment of all or any portion of the costs incidental to financing, administration, and collection of the contractual assessment program among the consenting property owners and the City.
5. A report on the results of the consultations to be filed with the County Auditor-Controller's Office regarding the additional fees that will be charged to the City for incorporating the proposed contractual assessments into the assessments of general taxes of the City on real property, and a plan for financing the payment of those fees.

The California Property Assessed Clean Energy (CA PACE) Report was prepared to comply with the requirements of AB 811.

FISCAL IMPACT:

None

ATTACHMENTS:

1. Resolution 10-37
2. California Property Assessed Clean Energy Report for the City of Adelanto

RESOLUTION NO. 10-37

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ADELANTO, CALIFORNIA, APPROVING THE FORMATION OF THE ENERGY AND WATER EFFICIENCY ASSESSMENT DISTRICT AND ADOPTION OF THE CALIFORNIA PROPERTY ASSESSED CLEAN ENERGY (CA PACE) PROGRAM AND RELATED REPORT PURSUANT TO CHAPTER 29 OF PART 3 OF DIVISION 7 OF THE CALIFORNIA STREETS AND HIGHWAYS CODE; CONFIRMING THE BOUNDARIES OF THE ASSESSMENT DISTRICT AND THE LEVY OF CONTRACTUAL ASSESSMENTS; AUTHORIZING PARTICIPATION IN THE PACIFIC HOUSING & FINANCE AGENCY CA PACE PROGRAM; AND TAKING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

RECITALS:

WHEREAS, the City of Adelanto (the “City”) is a municipal corporation organized and existing pursuant to the laws of the State of California; and

WHEREAS, the Pacific Housing & Finance Agency (the “PHFA”) is a joint powers financing agency and has established an energy and water efficiency loan program known as the California Property Assessed Clean Energy (CA PACE) program (the “Program”) pursuant to Chapter 29 of Part 3 of Division 7 of the California Streets and Highways Code (the “Act”); and

WHEREAS, through its CA PACE Program, the PHFA facilitates loans to property owners within PHFA’s participating member jurisdictions for the financing of energy and water saving property improvements; and

WHEREAS, pursuant to the Act and the CA PACE Program, the PHFA requires its participating member jurisdictions to form a contractual assessment district, and the PHFA will loan participating property owners within the assessment district funds secured by an assessment lien on the subject property; and

WHEREAS, the PHFA Program provides for the funding and administration of the assessment district for its member jurisdictions; and

WHEREAS, on April 14th 2010, the City Council adopted its Resolution No. 10-23 (the “Resolution of Intention”), declaring its intention to form an Energy and Water Efficiency Assessment District pursuant to the Act for the purpose of participating in the PHFA CA PACE Program to finance distributed generation renewable energy sources and energy and water efficiency improvements within the geographical boundaries of the City; and

WHEREAS, the Resolution of Intention ordered the City’s Authorized Officer to prepare and file a report (the “Report”) with the City Clerk in accordance with Section 5898.22 of the Act and the Director has filed the Report with the City Clerk; and

WHEREAS, the Resolution of Intention set the time and place for a hearing on the proposed formation of the assessment district; and

WHEREAS, the Resolution of Intention described the proposed funding of the CA PACE Program from the proceeds of bonds issued by the PHFA; and

WHEREAS, on May 26, 2010, following notice duly given in accordance with law, the City Council held a full and fair public hearing at which interested persons were afforded the opportunity to object to, inquire about, or provide evidence with regard to the proposed assessment district or any of its particulars, including the extent of the area proposed to be included within the assessment district, the terms and conditions of the draft contract (described below), or the proposed financing provisions; and

WHEREAS, the Report contains (a) a map showing the boundaries of the assessment district as the geographical boundaries of the City, (b) a draft application for participation in the Program (the "Application"), (c) a draft contract (the "Contract") specifying the terms and conditions upon which a property owner and the PHFA agree to participation in the CA PACE Program, (d) a statement of city policies concerning contractual assessments including: (1) identification of types of facilities, distributed generation renewable energy sources, or energy and water efficiency improvements that may be financed through the use of contractual assessments (the "Authorized Equipment List"), (2) identification of a City official to direct the Executive Director of PHFA to enter into the Contract on behalf of the assessment district, (3) a maximum aggregate dollar amount of contractual assessments, (4) a method for setting requests from property owners for financing through contractual assessments in priority order in the event that requests appear likely to exceed the authorization amount of contractual assessments, (e) a plan for the issuance of bonds by the PHFA, (f) a statement of, or method for, determining the interest rate and time period during which contracting property owners would pay assessments, (g) the establishment of any reserve fund or funds, (h) the apportionment of all or any portion of the costs incidental to financing, administration of the assessment district between the assessment district and contractual assessment property owners, and (i) a report on the results of the consultations of the County Auditor-Controller's office; and

WHEREAS, the City Council, having considered all oral and written testimony, desires to approve the formation of the Energy and Water Efficiency Assessment District and participation in the CA PACE Program;

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF ADELANTO HEREBY FINDS, DETERMINES, RESOLVES, AND ORDERS AS FOLLOWS:

Section 1. The above recitals are all true and correct and are incorporated herein by this reference.

Section 2. The City Council declares that the Report as filed is hereby approved.

Section 3. The City Council hereby establishes the Energy and Water Efficiency Assessment District (the "Assessment District") to be implemented as provided for by the CA PACE Program and related Report. The City Council hereby finds and determines that the property within the area of the Assessment District will be benefited by the improvements and activities funded by the assessments.

Section 4. The City Council hereby confirms the contractual assessments to be levied within the parameters of the CA PACE Program Report.

Section 5. The City Council hereby appoints and designates the Executive Director of the PHFA to administer the Assessment District in connection with the Program. The Executive Director of PHFA is hereby authorized and directed to file with the City Treasurer and to revise, as appropriate, a list of the parcels for which the PHFA and a property owner have entered into a contractual assessment agreement (each, a “Loan Agreement”) pursuant to the Program as and when such Loan Agreement(s) are entered.

Section 6. Upon the execution of any Loan Agreement by all parties thereto pursuant to the Program, the Executive Director of the PHFA is hereby directed to cause to be recorded in the office of the Superintendent of Streets and in the office of the County Recorder of the County of San Bernardino an assessment lien on the subject property in the form as provided in the CA PACE Program Report.

Section 7. The City Manager and City Clerk are hereby authorized and directed to do all acts and things which may be required of them by this Resolution, or which may be necessary or desirable in connection with the Assessment District and carrying out the CA PACE Program and all matters incidental thereto, including without limitation, to make clarifying changes to the Report and to modify as deemed necessary by the Director of the PHFA or the City Manager, the Authorized Equipment List, the draft Application and the draft Contract included therein.

PASSED, APPROVED, AND ADOPTED by the City of Adelanto City Council at its regular meeting held this 26th day of May, 2010.

Charley B. Glasper, Mayor

Cindy Herrera, City Clerk

I, Cindy M. Herrera, City Clerk of the City of Adelanto, California, do hereby certify that the foregoing Resolution 10-37 was duly and regularly adopted at a regular meeting of the City Council of the City of Adelanto on this 26th day of May, 2010, by the following vote to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

IN WITNESS THEREOF, I hereunto set my hand and affix the official seal of the City of Adelanto on the 26th day of May, 2010.

Cindy Herrera, City Clerk



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April 22, 2010

VIA OVERNIGHT MAIL AND EMAIL: jhart@ci.adelanto.ca.us

Mr. Jim Hart
CITY OF ADELANTO
11600 Air Expressway
Adelanto, CA 92301

Re: City of Adelanto –California Property Assessed Clean Energy (PACE) Report

Dear Mr. Hart,

As we prepare for the public hearing set for May 12th, 2010, to finalize the Energy and Water Efficiency Assessment District for the City, City Council will need to adopt the CA PACE Report in accordance with the CA Streets and Highways Code. Attached please find the Report prepared for your City.

Enclosed you will find two reports, one for your reference, and the other to be filed with the City Clerk.

If you have any questions please feel free to contact me at (877) 577-7373.

Regards,
PUBLIC FINANCE SOLUTIONS & ENGINEERING

Joe Flores, Special Districts Director

Attachment: City of Adelanto – California Property Assessed Clean Energy (PACE) Report



ENERGY AND WATER EFFICIENCY
ASSESSMENT DISTRICT

CALIFORNIA PROPERTY ASSESSED CLEAN ENERGY (PACE)
REPORT



A PACIFIC HOUSING & FINANCE AGENCY PROGRAM

*District Program
Administered By:*



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Introduction

This energy and water efficiency assessment district report (“Report”) has been prepared to be in compliance with AB 811, AB 474, and Section 5898.22 of the California Streets and Highways Code in connection with the establishment of the City of Adelanto (“City”) California Property Assessed Clean Energy (PACE) Program. This is the guiding document for the Program and fulfills the requirements that this report contain the following required documents:

- A) A **map** showing the boundaries of the territory within which contractual assessments are proposed. (See Appendix B.)
- B) A **draft contract** between a property owner and the City specifying the terms and conditions. (See Appendix D.)
- C) **City policies** concerning contractual assessments which includes the following
 1. types of improvements that can be financed.
 2. designated City official authorized to enter into contractual assessments on behalf of the City.
 3. maximum aggregate dollar amount of contractual assessments.
 4. method for setting requests in priority order in the event that requests will likely exceed authorization amount.
- D) A **plan for raising money** to pay for the work performed.
- E) San Bernardino County Auditor/Controller fees.

The City Program described is designed to help the City of Adelanto property owners to implement water and energy efficiency measures which are necessary to address the issue of global climate change. The Program helps Adelanto property owners save energy and money while doing right for the environment.

Goals

The Program seeks to provide multiple benefits to those property owners who are desirous of the following:

- ❖ Reducing the amount of their utility bill and saving money
- ❖ Improving their residence or business
- ❖ Promoting energy conservation
- ❖ Stimulating the local economy

The City welcomes innovative energy solutions that will contribute to the goal of reducing waste and promote energy and water conservation. The Program will assist the City in achieving its energy and water conservation goals.

Background

Assembly Bill 811 and AB 474 were approved by the California Legislature and signed into law by the Governor. Under these bills, the California Legislature has declared that a public purpose will be served by a contractual assessment program that provides local government with the authority to finance the installation of distributed generation renewable energy sources - such as solar -- and energy efficiency improvements and water savings equipment that are affixed to residential, commercial, industrial, or other real property (collectively known as "Energy and Water Improvements").

To make energy and water improvements more financially affordable and to promote their installation, the law authorizes voluntary "property tax" assessments to finance the cost of these improvements. The Program is only possible when a city forms an assessment district and there is a property owner who decides to make energy and water improvements to their property.

The City of Adelanto PACE Program can make loans ("Program Loans") to property owners within the City to finance the installation of energy and water improvements pursuant to contractual assessment agreements. Property owners in the City will repay Loans through an assessment levied against their property which is payable in semi-annual installments over time on property tax bills.

Program Benefits

From the City's perspective, the program provides a local stimulus to the economy through local energy conservation-related job creation. The City may also receive benefit from:

- ❖ Sales tax revenues from energy and water improvement installations
- ❖ Permit fee revenues from business license permits, building permits, and other permit revenue
- ❖ Cleaner communities

For property owners, the Program offers:

- ❖ A no-money-down means of financing energy and water improvements

- ❖ Fixed-rate loans repaid and amortized over a 15 to 20 year period (NTE 75% of the useful life of the improvements)
- ❖ Financing without requiring a property appraisal,
- ❖ Higher property values derived from energy and water improvements

Program Administration

The Program will be administered by the Joint Powers Authority - Pacific Housing & Finance Agency ("PHFA"), which is headed by the Executive Director of PHFA ("Director") and support staffed by Public Finance Solutions & Engineering ("PFSE") professionals. PFSE staff will be responsible for:

- ❖ Working with the City and community outreach
- ❖ Assisting property owners in obtaining Program loan applications and materials
- ❖ Processing loan applications
- ❖ Managing and tracking financing for Program Loans
- ❖ Assisting in monitoring individual and collective energy conservation

The intent of these services is to provide a "turn-key" service for the City of Adelanto property owners who want to finance energy and water improvements.

Program Requirements

Eligible Property Owners

All owners of improved real property are eligible for the Program. Property owners may be individuals, associations, business entities, cooperatives, and virtually any owner paying real property taxes. A property owner needs to be current in the payment of property taxes and current on any mortgages on the parcel. Property owners are eligible to make multiple applications for additional Energy and Water Improvements. However the minimum amount of any loan request must be equal to or greater than \$5,000 and cannot exceed the assessed land value of the subject property without specific written approval from the PHFA Executive Director.

Eligible Properties

Program Loans are available to all owners of improved real properties in the City including, but not limited to, residential, commercial, and industrial properties. Program Loans are not available for properties that do not pay property taxes, such as governmental entities, churches and certain non-profit corporations.

Eligible Vendors

Program Loans are made to property owners whose equipment has been installed and verified in accordance with the Program requirements. All licensed (City and State) contractors in good standing are eligible to participate in providing energy and water equipment installations to eligible property owners. The vendors would need to simply:

1. Obtain / download a Vendor Application form located on the PHFA's website www.cityenergysavings.com.
2. Once approved (usually within 48 hours), the vendor will be added to the Eligible Vendors list and can start contracting with property owners in accordance with their Loan Agreement located at Appendix D.
3. Per the Agreement, participating vendors would be responsible for installation of the equipment on the property (after receiving approval from PHFA), and then would be reimbursed from Municipal Bond Proceeds from the Pacific Housing & Finance Agency within 90 days of the Agency verifying that the qualifying equipment is permanently affixed to the property.

Eligible Equipment

The Program affords property owners in the City of Adelanto the opportunity to take advantage of a wide range of energy-savings measures, consistent with the following provisions:

1. The Program provides financing for energy and water improvements permanently affixed to property.
2. Property owners choosing to voluntarily engage in broader retrofit projects - such as home or business remodeling - will only be provided Program Loans for that portion of the costs used to retrofit existing structures with Energy and Water Improvements. (This is discussed further in Eligible Costs.)
3. Program Loans are intended for retrofit activities to replace outdated equipment and to install new equipment that takes energy off the grid. However, Program Loans are also made available for purchasers of new homes and businesses that wish to add energy and water efficiency improvements after the property owner takes title to the property.
4. Program Loans are made available for the following types of improvements:

Energy and water improvements that promote energy efficiency and saves water. The Program supports a wide range of efficiency measures as presented in Appendix A.

Solar Systems. Program Loans are available for a range of solar systems, from photovoltaic to solar thermal.

Alternative / Custom Improvements. Upon review and approval by the Director of the Pacific Housing & Finance Agency, Program Loans are made available for emerging technologies for energy improvements that provide new ways to save or generate energy and that will be evaluated on a case-by-case basis.

5. Program Loans are also made available for combinations of energy efficiency improvements such as bundling energy efficiency and renewable energy measures. For instance, a property owner may choose to replace both an aging and inefficient air conditioner, insulation, doors, windows and install a solar system.
6. Program Loans are also made available to reimburse property owners who have recently installed qualifying equipment within in the 6 months prior to the City adopting the Program.

Eligible Costs

Eligible costs of the energy and water improvements include the cost of equipment and installation. Installation costs may include, but are not limited to, labor, drafting, engineering, application fees, permit fees, processing fees, and inspection charges.

The installation of energy and water improvements can be completed by a qualified contractor of the property owner's choice from the list of approved vendors published by the Pacific Housing & Finance Agency. Property owners are encouraged to obtain multiple bids from several vendors or contractors, since each transaction is between the property owner and the vendor or contractor. Property owners must protect their own interests and obtain the best price, service and warranties. The City of Adelanto and the Pacific Housing & Finance Agency are responsible for financing the energy and water savings improvements while the property owner is totally responsible for his or her purchase, service expectations and warranties.

Any contractor is eligible to become an approved vendor, as long as they are licensed in good standing, insured, and agree to the Reimbursement Terms set forth in the Contractor Reimbursement Agreement. Eligible costs do not include labor costs for property owners who elect to do the work themselves.

In each case, the PHFA Director will determine whether the estimated equipment and installation costs are reasonable. Pacific Housing & Finance Agency reserves the right to evaluate market conditions and, at its discretion, require additional bids to determine whether costs are reasonable. While the property owner is encouraged to select the bidder of his or her choice from the list of approved vendors, the amount available from the Program Loan may be limited to an amount deemed reasonable by the Pacific Housing & Finance Agency (as set forth in this report). In addition, the City Manager, City Staff and/or the City of Adelanto City Council reserve the right to approve Program Loans.

The Financial Strategy

The City intends to work with the Pacific Housing & Finance Agency in the issuance of taxable municipal bonds to reimburse approved energy vendors and contractors of energy and water efficiency projects. As the program administrator, Public Finance Solutions & Engineering will be placing the charges on each participating property owner's tax bill each year the Program Loan is outstanding for loan repayment.

Any contractor is eligible to become an approved vendor, as long as they are licensed in good standing, insured and agree to the Reimbursement Agreement terms with the Pacific Housing & Finance Agency. The approved vendors will contractually agree to provide and install the energy equipment on an "approved order" basis whereby the property owner completes the application process and once approved, the energy vendor installs the equipment. After successful verification the vendor is reimbursed within 90 days through the issuance of taxable municipal bonds. Bond issuance proceeds will be deposited within the Bank Trustee's Energy Loan Fund for vendor reimbursement.

Program Parameters

Program Loan Limits

Minimum Energy Loan Amount

The minimum size for a Program Loan is \$5,000.

Maximum Energy Loan Amount

The maximum loan amounts are set for the following property types:

Residential Properties

Minimum Loan Amount	\$5,000.00
Maximum Loan Amount:	Not-To-Exceed Assessed Land Value

Commercial and Other Property Types

Minimum Loan Amount:	\$5,000.00 (Five thousand dollars)
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No Maximum Loan Amount -----however, Program Loans in excess of \$80,000 require the Executive Director approval.

In any event the maximum loan amount can not exceed the Assessed Land Value of the Property without PHFA Director and underwriter of the taxable municipal bonds approval.

Maximum Portfolio

The maximum principal amount of the Program Loans to property owners under the Program is \$95 million. This represents the total amount of financing available to all participating cities and counties that are members of the Pacific Housing & Finance Agency, including the City of Adelanto.

The maximum principal amount of the Program Loans can be increased through PHFA resolution and PHFA Board Approval.

Duration

Program Loans are made available for up to three fourths of the estimated life of the improvements. Hence, the term of the loan is based on the life expectancy of the improvements installed.

Interest Rate

Program Loans will be made for property owners at an annual interest rate that is determined by market conditions and is secured by the property owner at the time the application is approved. In any event, the law does not allow the interest rate to exceed 12%. The Pacific Housing & Finance Agency will market the taxable municipal bonds at the then prevailing market for such bonds. Upon successfully marketing the bonds, the program interest rate for Program Loans will be established. After the property owner affirms that the improvements have been installed as set forth in the vendor or contractor's contract and after inspection of the improvements, the funding of the Program loan will be concluded upon bond closing. Program Loans that are entered into at different times will have different interest rates depending on bond market conditions and successful marketing of the bonds.

Administrative Fees

Administrative Fees are recovered by the "spread" between bond rates and the Program Loan issuance rate. Other than the two fees below, the property owners will not be billed for any additional charges or assessments.

Two forms of costs will be the responsibility of the property owner:

1. Title costs - including title verification - will be borne by the property owner but reimbursable through the program. This cost to the property owner is approximately \$395 per Program Loan Application. For commercial property owners, an additional \$.02 per square foot is added to the application fee to cover the costs of a commercial energy evaluation on the property.
2. Assessment collection costs will appear as a line item on property taxes not to exceed \$40 per property per year - and will be paid by property owners. The \$40 per year may escalate 2% per year for County Fee Increases.

Changes to Report

The Pacific Housing & Finance Executive Director may make changes to this Report that is reasonably determined to be necessary to clarify its provisions.

The City Manager or Pacific Housing & Finance Director may modify from time to time the Equipment List, the Loan Application / Contract and terms of the Application attached hereto as Appendix A, together with Appendix C and Appendix D, respectively, as deemed necessary.

Appendix A: Equipment List

The Program offers loans for a number of equipment types, including water and electrical efficiency measures, solar systems, and other innovative, energy-saving custom measures. In each case, the use of rebates and tax credits to prepay a portion of the loan is at the discretion of property owner.

Energy Efficient Equipment

The Program provides services and loans for a wide range of Energy Star-rated efficiency measures which property owners can get rebates (and tax incentives) as well as Program Loans. Energy efficiency equipment that is Energy Star rated must meet the Energy Star minimum efficiency levels.

The City of Adelanto anticipates that Energy Star requirements will "ratchet up" to greater efficiency levels over time. Energy Star will also become more inclusive of technologies over time. Thus the Program will evolve with Energy Star and the market for energy-efficient technologies.

The following Energy Star measures - among others - are eligible:

- ❖ Attic and wall insulation
- ❖ Light fixtures (no bulb-only retrofits)
- ❖ Reflective roofs and coatings (Metal and Asphalt)
- ❖ Windows, doors, and skylights (including sliding glass doors, garage doors, storm doors and storm windows)
- ❖ HVAC: Central Air Conditioners, Air Source Heat Pumps, Furnaces and Boilers
- ❖ Water Heaters: Gas, Oil, & Propane Water Heaters, Electric Heat Pump Water Heaters
- ❖ Biomass Stoves
- ❖ Geothermal Heat Pumps
- ❖ Solar Panels
- ❖ Solar Water Heaters
- ❖ Small Wind Energy Systems

ENERGY STAR rated improvement (permanently affixed to the Property)

ENERGY STAR is a joint program of the U.S. Environmental Protection Agency and the U.S. Department of Energy to assist consumers in protecting the environment while saving money through energy efficient products and practices. Products can earn the ENERGY STAR label by meeting the energy efficiency requirements set forth in ENERGY STAR product specifications.

Products that have earned the ENERGY STAR label automatically qualify for the Program if they are permanently affixed. Examples of ENERGY STAR products that would qualify:

- Insulation and Air Sealing: windows and reflective insulation.
- Roofing Materials: roof coatings for solar reflectance
- Doors and Skylights
- Heating and Cooling: Air conditioners, furnaces, and boilers
- Plumbing: Water heaters which include solar and tankless.

Repairs and or construction required for the installation of the improvements do not qualify for financing. If there are repairs that must be done prior, during, or after the improvements, the property owner will have to bear those costs. For example, if dry rot was discovered during the installation of ENERGY STAR windows, the cost of the windows and their installation would only be covered, not the repair of the dry rot.

Pool Equipment

- ❖ Pool circulating pumps (must be Variable Flow and/or Multi-speed with controllers)
- ❖ Natural gas pool heaters (must have a thermal efficiency of 84% or greater)

Renewable Energy Generation / Solar Equipment

Solar Panels or Photovoltaic (PV) Systems are solar cells that capture the heat from the sun and convert it directly into electricity. PV Systems that meet applicable fire and electrical code requirements are available for Program funding. Program Loans will be available for photovoltaic equipment and installers listed by the California Energy Commission. Solar thermal equipment must be rated by the Solar Rating Certification Council (SRCC). As with efficiency measures, the property owner maintains the discretion as to whether to prepay a portion of the gross loan with any solar rebates and tax credits.

Eligible solar equipment includes:

- (1) Solar thermal systems (hot water)
- (2) Solar thermal systems for pool heating
- (3) Photovoltaic systems (electricity)
 - (a) Battery back-up systems will be allowed
 - (b) Funding for off-grid systems will be allowed
 - (c) PV systems can be sized to accommodate plug-in electric vehicles
 - (d) Plug in stations
- (4) Emerging technologies – following the Custom Measures Track
 - (a) Nano/thin film photovoltaic
 - (b) High intensity (parabolic solar panels)
- (5) Battery back-up systems will be allowed
- (6) Funding for off-grid systems will be allowed
- (7) PV systems can be sized to accommodate plug-in electric vehicles

The City of Adelanto encourages innovation in saving energy to meet its energy savings goals. Other alternative energy savings equipment will only be funded for Program Loans if sufficient proof of energy savings is provided to the Office of Energy Management that the measure will reduce usage by 20%. The Pacific Housing & Finance Executive Director reserves the right to defer funding until he deems the evidence sufficient to verify this performance requirement.

The following types of measures - among others - will be considered for Program Loans through the:

- ❖ Building Energy Management controls
- ❖ HVAC Duct zoning control systems
- ❖ Irrigation pumps and controls
- ❖ Lighting controls
- ❖ Motors and controls
- ❖ Natural gas fuel cells
- ❖ Water heating equipment
 - a. Tank-style
 - b. Tankless
 - c. Central water heating system

Water Conservation Equipment

- ❖ High efficiency toilets
- ❖ Low flow shower heads



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- ❖ Hot water delivery options
 - Hot water recirculation systems and on-demand hot water systems
 - Whole house manifold system or core plumbing systems
 - Demand initiation or instantaneous hot water heaters
- ❖ Demand initiated water softeners
- ❖ Hot water pipe insulation
- ❖ Evapotranspiration irrigation systems or smart irrigation controllers
- ❖ Permanently installed rainwater cisterns
- ❖ Matched precipitation rate sprinkler heads
- ❖ High efficiency outdoor irrigation
- ❖ Pre-rinse spray valves
- ❖ Waterless urinals or low flow urinals
- ❖ Bathroom sink aerators
- ❖ Industrial process water use reduction
- ❖ Recycled water source
- ❖ Deionization
- ❖ Filter upgrades
- ❖ Cooling condensate reuse
- ❖ Foundation drain water
- ❖ Cooling tower conductivity controllers
- ❖ High efficiency outdoor irrigation
- ❖ smart irrigation systems / controllers

Water And Conservation Measures

A. Residential Indoor Water Conservation Measures.

- (1) High efficiency toilets (average flush volume of 1.28 gallons or less)
- (2) Showerheads (1.75 gpm)
- (3) Bathroom aerators (1.5 gpm)
- (4) Hot water delivery options, as defined by the Energy Star “Volumetric Hot Water Savings Guidelines”
 - (a) Hot water recirculation systems use a hot water circulating pump to pump hot water from the water heater, through the hot water piping, and on back to the water heater through an additional length of pipe that runs from the furthest fixture back to the water heater.



(b) Demand initiated hot water systems use a recirculation pump to rapidly pull hot water from a water heater while simultaneously sending cooled-off water from the hot water lines back to the water heater to be reheated.

(c) Whole house manifold systems consist of a manifold (trunk line) connected to the water heater from which individual pipes (twigs) are connected to each water fixture.

(d) Core plumbing systems are hot water distribution systems where water volumes in the pipes are reduced by a combination of smaller pipe diameters and shorter pipe runs due to a centrally located water heater.

(5) Demand initiated water softeners, Energy Star rated

(6) Demand initiated or instantaneous hot water heaters (7) Hot water pipe insulation (minimum of R4)

B. Residential and Commercial Outdoor Water Conservation Measures.

(1) A weather-based irrigation controller, or Smart irrigation controller with a rain shut off device, uses weather data and site information such as plant type and sprinkler system output to adjust watering times and frequency. This provides more efficient watering, reduces water run-off and improves the health of your landscape.

(2) Permanently installed rainwater cisterns.

(3) Drip irrigation systems in gardens, planters and beds. Drip irrigation can save up to 70% in water usage due to more efficient delivery.

(4) Matched precipitation sprinklers so that all spray patterns and radius deliver water evenly over the landscape area.

(5) Custom Measure: Replace turf grass with native or low water use plants. Project must include soil amendment, mulch, drip irrigation and /or matched precipitation sprinklers and a Smart irrigation controller.

C. Commercial Water Conservation Measures.

(1) All applicable water conservation measures listed for "residential"

(2) Pre-rinse spray valves (1.2gpm)

(3) Urinals (pint)

(4) Waterless urinals

(5) Bathroom aerators (0.5 gpm)

D. Commercial Custom Measures.

(1) Industrial process water use reduction

(2) Recycled water source

(3) Deionization

(4) Filter upgrades

(5) Cooling condensate reuse (6) Foundation drain water

(7) Cooling tower conductivity controllers

E. Residential and Commercial Recycled Water Use

(1) Outdoor irrigation

ENERGY EFFICIENCY MEASURES

Except the HVAC equipment as noted below, efficiency measures must meet the performance criteria stated in the list of Eligible Improvements or the Energy Star minimum efficiency levels. For all packaged and central air conditioning systems funded in this Program, the minimum efficiency levels shall be as required by the current minimum requirements set forth in List of Eligible Improvements. All other proposed efficiency measures will be considered in the Custom Measure Track. It is anticipated that Energy Star requirements will “ratchet up” to greater efficiency levels over time. Energy Star will also become more inclusive of technologies over time. Thus, the CA PACE Program will evolve with Energy Star and the market for energy-efficient technologies.

- (1) Geothermal exchange heat pumps
 - (a) Minimum efficiencies
 - (i) Ground source exchange open loop system 17.8 EER or higher
 - (ii) Ground source exchange closed loop system 15.5 EER or higher
- (2) Home EV charging installations (3) HVAC Systems
 - (a) Minimum efficiencies
 - (i) Split systems with 14 SEER and 12 EER or higher rating
 - (ii) Natural gas furnaces of 90 AFUE or higher
 - (iii) Package systems with 14 SEER and 11 EER or higher rating
 - (b) Home energy management control systems
 - (c) Whole house fan systems
 - (d) Duct insulation, meeting Energy Star guideline
 - (e) Duct sealing
- (4) Evaporative Coolers
 - (a) Cooler must have a separate ducting system from air conditioning and heating ducting system
 - (b) Maximum 5 gallons/ton-hour cooling
- (5) Natural gas storage water heater, EF of 0.67 or higher and Energy Star listed
- (6) Tankless water heater, EF of 0.82 or higher and Energy Star listed
- (7) Solar water heater systems, rated by Solar Rating Certification Council
- (8) Cool roof system as defined by the 2005 California Building Energy Efficiency Standards (also called the California Energy Code). Roofing replacement eligible under this program shall be:
 - (a) Tested and rated through the Cool Roof Rating Council (CRRRC);

- (b) Be labeled for its initial reflectance and initial emittance as determined in the CRRC tests and be labeled that the product meets Title 24, Section 118(i);
- (c) Achieve at least a 0.75 initial emittance and 0.70 initial reflectance or, if the initial emittance is less than 0.75, have an initial reflectance of at least $[0.70 + \{0.34 \times (0.75 - \text{initial emittance})\}]$; *and, if applied as a liquid coating in the field, be applied at a minimum dry mil thickness of 20 mils* across the entire roof surface and meet performance requirements.
- (9) Reflective roofs and coatings
- (10) Attic and wall insulation, minimum R value 30 and Energy Star listed
- (11) Reflective insulation or radiant barriers
- (12) Attic fans
- (13) Windows and glass doors, U value of 0.40 or less and solar heat gain coefficient of 0.40 or less
- (14) Window filming, in compliance with the NFRC glazing attachment ratings for solar heat a gain and visible transmittance
- (15) Weather-stripping, following Energy Star guidelines
- (16) Home sealing, following Energy Star guidelines
- (17) Skylights, U Value of 0.60 or less and solar heat gain coefficient of 0.40 or less
- (18) Solar tubes
- (19) Additional building openings to provide addition natural light, windows and doors must meet the Energy Star rating U value of 0.40 or less
- (20) Lighting, Energy Star listed (no bulb only retrofits)
- (21) Pool equipment (a) Pool circulating pumps (must be variable flow and/or multi-speed with controllers)

B. Residential Energy Efficiency Custom Measures.

- (1) Passive solar (heating/cooling)

C. Commercial Energy Efficiency Measures.

- (1) Heating, ventilating and air conditioning systems (“HVAC”)
 - (a) Minimum efficiencies
 - (i) Split systems with 14 SEER or 12 EER
 - (ii) Package systems with 13 SEER or 11 EER
- (2) Geothermal exchange heat pumps
 - (a) Minimum efficiencies
 - (i) Ground source exchange open loop system 17.8 EER or higher
 - (ii) Ground source exchange closed loop system 15.5 EER or higher
- (3) High efficiency electric hand dryer
- (4) All applicable energy efficiency measures listed in “Residential” section

D. Commercial Energy Efficiency Custom Measures.

- (1) Building energy management systems,
- (2) Lighting control systems, which shall include occupancy sensors and other energy saving measures
- (3) HVAC duct zoning control systems
- (4) Motors and controls (processing or manufacturing equipment)
- (5) Customer electric vehicle plug-in station

ALTERNATIVE ENERGY EFFICIENCY MEASURES

The Alternative Energy Efficiency Measures is a process by which PHFA Staff can evaluate and fund projects that are not “off the shelf” improvements listed in the eligible Water Conservation, Energy Efficiency or Renewable Energy Generation Measures. These custom projects may involve large scale industrial or commercial energy efficiency improvement projects, such as process or industrial mechanical systems, renewable energy sources and energy generation, other than the solar system (photovoltaic), such as geothermal, and potentially fuel cells, as well as more complex and cutting edge energy management solutions and emerging technologies. The following types of measures – among others – will be considered for funding through the Alternative Energy Efficiency Measures Track:

A. Energy Efficiency Alternative Measures.

- (1) Alternative energy generation (other than photovoltaic)
- (2) Building energy management controls
- (3) HVAC duct zoning control systems
- (4) Irrigation pumps and controls
- (5) Lighting controls
- (6) Industrial and process equipment motors and controls

As these “Custom Measures” become Energy Star rated they will be included in the List of Eligible Improvements.

B. Energy Generation Alternative Measures.

- (1) Fuel Cells
- (2) Natural gas
- (3) Hydrogen fuel
- (4) Other fuel sources (emerging technologies)
- (5) Co-generation (heat and energy)

Appendix B: City of Adelanto Boundary Map

The boundary of the Assessment District shall be the same as the City of Adelanto City Boundaries, and the Complete City Boundary Map is on file with the Office of the City Engineer, City of Adelanto and is incorporated herein by reference.

Appendix C: Loan Application

LOAN INSTRUCTIONS

Applying for a Program Loan is simple by completing these easy steps:

STEP	ACTIVITY	ACTION
1	SUBMIT LOAN APPLICATION	Obtain an application from PFSE by calling (877) 577-7373 or download it directly at cityenergysavings.com .
2	SCHEDULE & COMPLETE ENERGY AUDIT	After your application has been reviewed, Connor Energy will contact you to schedule your Energy Evaluation to be performed (at no additional cost to property owner)
3.	FINALIZE LOAN APPLICATION	Once the energy evaluation is performed, you can select the energy improvements to be installed from the approved vendors list at cityenergysavings.com (If the vendor you want is not listed please have them contact PFSE to be approved and added).
4.	RECORD LIEN AND AUTHORIZE INSTALLATION	After receiving the proposed installation contract and final loan amount request, PFSE will process the application for final approval and recordation. Property will need to agree to final interest rate and notarize the assessment lien. Once approval is granted, PFSE records the assessment lien on the property, and authorizes the vendor to install improvements.
5.	LOAN REPAYMENT	The annual amount of the loan is repaid through assessments on property owner tax bill over the specified number of years.
6.	ENJOY YOUR IMPROVEMENTS	Enjoy your savings while helping the environment.

STEP 1 – Obtain and **Complete an application** for a Program Loan from PFSE or download it at www.cityenergysavings.com.

Mail the completed application for a Program Loan to:
Public Finance Solutions & Engineering
C/O City of Adelanto – CA PACE Program
7670 Opportunity Rd, Suite 250
San Diego, CA 92111

Along with the completed application, be sure to include:

- 1) A Check in the Amount of \$395.00 (Commercial/Industrial Properties add \$.02 per square foot) payable to:
Public Finance Solutions & Engineering

Please complete and sign the attached Application Form and include all requested attachments. Please type or print neatly in blue or black ink. All applications are processed on a first-come, first-served basis, upon receipt, until otherwise directed by the PHFA Director. Incomplete and/or incorrect applications cannot be processed. Resubmitted applications are processed on a first-come, first-served basis upon the new receipt date. If the program is temporarily unavailable or not currently processing applications, an approved applicant will be placed on a waiting list. Keep a copy of all home improvement contracts, energy installation agreements completed, application and all documents submitted.

For questions regarding the status of your Application contact the Program Administrator, Public Finance Solutions & Engineering:

TOLL FREE: (877) 577-PFSE (7373)

STEP 2 – **Schedule and Complete Energy Evaluation**. You will be contacted by Connor Energy and / or PFSE to schedule your Energy Evaluation. For residential properties, the evaluation is complementary. This step is required for all applicants.



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STEP 3 - *Select a vendor* from the approved vendor list. Property owners are encouraged to obtain multiple bids from vendors and contractors to assure obtaining improvements that are guaranteed and priced to the satisfaction of the parcel owner. Only vendors from this list will qualify for a Program Loan. If the vendor you want is not listed, have the vendor contact **PFSE** at (877) 577-**PFSE** (7373). It takes about 48 hours to approve a new vendor. Input the Vendor information on the form, but **DO NOT PAY or MAKE ANY PAYMENTS TO THE VENDOR.** **Program Loans** when complete will directly reimburse vendors for equipment installed in accordance with Program guidelines.

Once you have determined the equipment you would like to have installed, forward a copy of the equipment bid or purchase agreement from the vendor to PFSE.

For information on home improvement contracts or the status of your contractor's license visit www.cslb.ca.gov or call the Contractor's State License Board at 1-800-321-CSLB.

STEP 4 – After the loan and vendor contracts have been approved. PFSE will forward to Property Owner the final loan agreements, assessment lien (needs to be notarized), the interest rate of the loan and any final disclosures. The property owner will be required to return all documents for final recordation. After the lien has been recorded against the property, the contractor will be authorized to install the requested improvements.

STEP 5 – After the improvements are installed, the property owner simply needs to make the timely payments on their property tax bills.

STEP 6 – Enjoy the improvements and the savings!



CALIFORNIA PACE PROGRAM ENERGY AND WATER EFFICIENCY LOAN PROGRAM LOAN APPLICATION

The California PACE (Property Assessed Clean Energy) Program provides for energy efficiency loans to property owners to finance the installation of distributed generation renewable energy sources, energy efficiency improvements, and/or water reduction improvements that are permanently fixed to the real property. Loans will be made pursuant to Chapter 29 of Part 3 of Division 7 of the California Streets and Highways Code (commencing with Section 5898.10), the California PACE Program Guidelines Program Report and Administrative Guidelines adopted by the City and/or County in cooperation with the California PACE Program, a Pacific Housing & Finance Agency Program.

CITY NAME: _____

COUNTY OF: _____

APPLICANT INFORMATION

Property Owner(s) Name(s):

Property Address (where improvements are to be installed): Mailing Address (if same check here):

Contact Name: _____

Daytime Telephone Number: _____

Facsimile (Fax) Number: _____

E-mail Address: _____

NOTE: Applicants will be notified via email unless specified otherwise. If you prefer to be notified other than email, please indicate your preference here: (i.e. phone, fax, etc.) _____

Property Ownership held as (check one):

____ Individual	____ Corporation	____ LLC
____ Trust	____ Partnership	____ Other, specify below
Other: _____		

PROPERTY INFORMATION

1) Are you, or the property described herein, currently involved in a bankruptcy proceeding?

Yes No



- 2) Is property a new development/construction? Yes No
- 3) Are the property taxes in default? Yes No

NOTE: If you marked yes to any of the above questions, you may not be eligible.

Property Type
(Please check one):

<input type="checkbox"/> Single-Family Residential	<input type="checkbox"/> Multi-Family Residential	<input type="checkbox"/> Commercial
<input type="checkbox"/> Industrial	<input type="checkbox"/> Mobile Home	<input type="checkbox"/> Other, specify below
Other: _____		

IMPROVEMENTS INFORMATION

What types of improvements are you interested in?

- | | |
|--|--|
| <input type="checkbox"/> Solar (Photovoltaic) Panels | <input type="checkbox"/> HVAC (Heating / Air Conditioning) |
| <input type="checkbox"/> Water Conservation Measures | <input type="checkbox"/> Whole House Fans |
| <input type="checkbox"/> Insulation / Weatherization | <input type="checkbox"/> High Efficiency Windows |
| <input type="checkbox"/> Efficient Roofs | <input type="checkbox"/> Solar Hot Water Heaters |
| <input type="checkbox"/> Renewable Wind Power | <input type="checkbox"/> Efficient Pool Pumps |
| <input type="checkbox"/> Lighting Controls | <input type="checkbox"/> Fuel Cells |
| <input type="checkbox"/> Other: _____ | |

APPLICATION FEES

Application Fee (includes Energy Evaluation Visit).....	\$395
+ Add for Commercial Properties only	+
\$0.02 cents per square foot for Energy Evaluation Visit	\$_____
TOTAL APPLICATION FEE	\$_____

The Applicant will be responsible for \$395 Application fee and must pay this cost at the time of submitting the Loan Application. The \$395 Application Fee **will be reimbursed to the Property Owner** at the same time the vendor is reimbursed for the equipment improvements completed, which is approximately 90 to 120 after the energy improvements have been verified as installed and completed. The complete application and payment must be sent to:

Payable to: **Public Finance Solutions & Engineering** Phone: (877) 577-7373
 Attn: CA PACE Loan Processing
 7670 Opportunity Road – Suite 250
 San Diego, CA 92111

DECLARATIONS:

By signing this Application, the undersigned hereby declares under penalty of perjury under the laws of the State of California all of the following:

1. I/we am/are all of the current owner(s) of record of the property described herein.
2. I/we am/are not, and the property described herein is not, currently involved in a bankruptcy proceeding.
3. That (i) the information provided in this Application is true and correct as of the date set forth opposite my/our signature(s) on this Application and (ii) that I/we understand that any intentional or negligent misrepresentation(s) of the information contained in this Application may result in civil liability and/or criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, United States Code, Section 1001, et seq. and liability for monetary damages to the Pacific Housing & Finance Agency and/or the City and County Agencies in which the property resides, its agents, successors and assigns, insurers and any other person who may suffer any loss due to reliance upon any misrepresentation which I/we have made in this Application.
4. I/we am/are applying for a loan pursuant to the California PACE Program. I/we understand that I/we must execute a Loan Agreement with the California PACE Program in order to receive a loan and I/we have the authority, without the consent of any third party which has not been previously obtained, to execute and deliver the Loan Agreement, this Application, and the various documents and instruments referenced herein.
5. I/we understand that the loan made pursuant to the Loan Agreement will be repayable through an assessment levied against my/our property. The assessment and the interest and any penalties thereon will constitute a lien against my/our property until they are paid, even if I/we sell the property to another person. I/we understand that assessment installments (including principal, interest and administrative costs) will be collected on my/our property tax bill in the same manner and at the same time as property taxes and will be subject to the same penalties, remedies, and lien priorities as for property taxes in the event of delinquency.
6. That executing the Loan Agreement, notarizing the assessment lien, and consenting to the assessment levied against my/our property to repay the loan will not constitute a default under any other agreement or security instrument which effects my/our property or to which I/we am/are a party.
7. I/we agree that the selection of product(s), equipment, and/or measures referenced in this Application (the "Equipment"), the selection of manufacturer(s), dealer(s), supplier(s), contractor(s) and/or installer(s), and the decision regarding the purchase, installation and ownership maintenance of the Equipment is/are my/our sole responsibility and that I/we have not relied upon any representations or recommendations of the California PACE Program, Pacific Housing & Finance Agency and/or the City and County Agencies in which the property resides, in making such selection or decision.
8. I/we understand that the California PACE Program, Pacific Housing & Finance Agency and/or the City and County Agencies in which the property resides, makes no warranty, whether express or implied, including without limitation, the implied warranties of merchantability and fitness for any particular purpose, use or application of the Equipment.
9. I/we agree that the California PACE Program, Pacific Housing & Finance Agency and/or the City and County Agencies in which the property resides, has no liability whatsoever concerning (i) the quality or safety of the Equipment, including its fitness for any purpose, (ii) the estimated energy savings produced by the Equipment, (iii) the workmanship of any third parties, (iv) the installation or use of the Equipment including, but not limited to, any effect on indoor pollutants, or any other matter with respect to the California PACE Program.
10. I/we understand that I/we is/are responsible for meeting all the California PACE Program, Pacific Housing & Finance Agency and/or the City and County Agencies in which the property resides, requirements and complying with all applicable Federal/State/County/City

laws and the requirements of any agreement which effects the use of the property (such as homeowner's association requirements, if any).

Signed on this ____ day of _____, 20__, in the City of _____, and/or County of _____, State of California

Property Owner Signature: _____ Printed Name: _____

Property Owner Signature: _____ Printed Name: _____

REQUIRED ATTACHMENTS:

- Organizational Documents if Property Owner is not an individual(s)
- Disclosure Regarding Assessment Financing (attached - please complete and sign)
- State of California Fair Lending Notice (attached - please complete and sign)
- Check in the amount of \$395.00 payable to **Public Finance Solutions & Engineering** (for commercial applications add \$0.02 (2 cents per sq. foot of commercial / industrial space)

OPTIONAL – Income Statement

This section of the application is completely voluntary, and will not affect the decision to approve or disapprove your loan. Low income households may be eligible for free weatherization improvements and/or a reduced loan interest rate. You may be asked to submit further documentation to verify income eligibility.

Total household size (number of persons): _____

Total Household income (annually): _____

IF YOUR APPLICATION IS DENIED, YOU HAVE THE RIGHT TO A WRITTEN STATEMENT OF THE SPECIFIC REASONS FOR THE DENIAL. TO OBTAIN THE WRITTEN STATEMENT, PLEASE CONTACT PACIFIC HOUSING & FINANCE AGENCY AT (877) 577-7373 OR SEND AN EMAIL TO support@cityenergysavings.com WITHIN 60 DAYS FROM THE DATE YOU ARE NOTIFIED OF THE DENIAL. THE PACIFIC HOUSING & FINANCE AGENCY WILL PROVIDE YOU A WRITTEN STATEMENT OF THE REASONS FOR THE DENIAL WITHIN 15 DAYS OF RECEIVING YOUR REQUEST FOR THE STATEMENT.

THE FEDERAL EQUAL CREDIT OPPORTUNITY ACT PROHIBITS CREDITORS FROM DISCRIMINATING AGAINST CREDIT APPLICANTS ON THE BASIS OF RACE, COLOR, RELIGION, NATIONAL ORIGIN, SEX, MARITAL STATUS, AGE (PROVIDED THE APPLICANT HAS THE CAPACITY TO ENTER INTO A BINDING CONTRACT); BECAUSE ALL OR PART OF THE APPLICANT'S INCOME DERIVES FROM ANY PUBLIC ASSISTANCE PROGRAM; OR BECAUSE THE APPLICANT HAS IN GOOD FAITH EXERCISED ANY RIGHT UNDER THE CONSUMER CREDIT PROTECTION ACT. THE FEDERAL AGENCY THAT ADMINISTERS COMPLIANCE WITH THIS LAW CONCERNING THIS CREDITOR IS THE FEDERAL TRADE COMMISSION, EQUAL CREDIT OPPORTUNITY, WASHINGTON, DC 20580.

DISCLOSURE REGARDING ASSESSMENT FINANCING

The California PACE Program establishes the manner by which the Pacific Housing & Finance Agency and/or the City and County Agencies in which the property resides, (the "Agency and/or "City") may make loans to property owners pursuant to Chapter 29 of Part 3 of Division 7 of the California Streets and Highways Code (commencing with Section 5898.10) to finance the installation of distributed generation renewable energy sources or energy efficiency improvements that are permanently fixed to the owner's real property. Each loan will be made pursuant to a loan agreement between the Pacific Housing & Finance Agency or the City and the property owner.

The loan will be secured by and be repayable through an assessment levied by the City against the owner's property. Each year until the loan is repaid, assessment installments (including principal, interest and administrative costs) will be collected on the property tax bill for the property in the same manner and at the same time as property taxes. Assessment installments will be subject to the same penalties, remedies (including foreclosure and sale of the property), and lien priorities as for property taxes in the event of delinquency.

The assessment and each installment thereof, and any interest and penalties thereon, will constitute a lien against the property until paid even though prior to full payment the property is conveyed to another person. An assessment lien will be recorded against the owner's property in the office of the County Recorder in the County in which the property resides. Such lien will be paramount to all existing and future private liens against the property, including mortgages, deeds of trust and other security instruments.

Before completing a California PACE Program Application, a property owner should carefully review any agreement(s) or security instrument(s) which affect the property owner's property or to which the property owner is a party. **ENTERING INTO A CALIFORNIA PACE PROGRAM LOAN AGREEMENT WITHOUT THE CONSENT OF THE OWNER'S EXISTING LENDER(S) COULD CONSTITUTE AN EVENT OF DEFAULT UNDER SUCH AGREEMENTS OR SECURITY INSTRUMENTS. DEFAULTING UNDER AN EXISTING AGREEMENT OR SECURITY INSTRUMENT COULD HAVE SERIOUS CONSEQUENCES TO THE PROPERTY OWNER, WHICH COULD INCLUDE THE ACCELERATION OF THE REPAYMENT OBLIGATIONS DUE UNDER SUCH AGREEMENT OR SECURITY INSTRUMENT.**

A property owner must declare under penalty of perjury in the California PACE Program Application that (i) the owner has the authority, without the consent of any third party which has not been previously obtained, to execute and deliver the loan agreement, the Application, and the various documents and instruments referenced therein; and (ii) that executing the loan agreement, receiving the loan proceeds, and consenting to the assessment levied against the property owner's property will not constitute a default under any other agreement or security instrument which effects the property owner's property or to which the property owner is a party.

If you have any questions regarding any agreements or security instruments which affect your property or to which you are a party or your authority to execute the California PACE Program Application or enter into a loan agreement with the Pacific Housing & Finance Agency or the City / County without the prior consent of your existing lender(s), the Pacific Housing & Finance Agency or the City / County strongly encourages you to consult with your own legal counsel and/or your lender(s). The Pacific Housing & Finance Agency or the City / County Staff will not provide property owners with advice regarding existing agreements or security instruments.

I have received a copy of this Notice.

I have received a copy of this Notice.

Property Owner Signature

Property Owner Signature

Printed Name Date

Printed Name Date

The Housing Financial Discrimination Act of 1977

FAIR LENDING NOTICE

It is illegal to discriminate in the provision of or in the availability of financial assistance because of the consideration of:

1. Trends, characteristics or conditions in the neighborhood or geographic area surrounding a housing accommodation, unless the financial institution can demonstrate in the particular case that such consideration is required to avoid an unsafe and unsound business practice: or
2. Race, color, religion, sex, marital status, domestic partnership, national origin or ancestry.

It is illegal to consider the racial, ethnic, religious or national original composition of a neighborhood or geographic area surrounding a housing accommodation or whether or not such composition is undergoing change, or is expected to undergo change, in appraising a housing accommodation or in determining whether or not, or under what terms and condition, to provide financial assistance.

These provisions govern financial assistance for the purpose of the purchase, construction, rehabilitation or refinancing of one to four unit family residences occupied by the owner and for the purpose of the home improvement of any one to four unit family residence.

If you have any questions about your rights, or if you wish to file a complaint, contact the management of this financial institution or the Department of Real Estate at one of the following locations:

2550 Mariposa Mall, Suite 3070
Fresno, CA 93721-2273

2201 Broadway
PO BOX 187000
Sacramento, CA 95818-7000

320 W 4th Street, Suite 350
Los Angeles, CA 90013-1105

1350 Front Street, Suite 3064
San Diego, CA 92101-3687

1515 Clay Street, Suite 702
Oakland, CA 94612-1462

Acknowledgement of Receipt

I (we) received a copy of this notice.

Signature of Applicant

Date

Signature of Applicant

Date

Appendix D: Sample Loan Agreement

LOAN AGREEMENT
CITY OF ADELANTO CA PACE PROGRAM ,
(A PROGRAM OF THE PACIFIC HOUSING & FINANCE AGENCY)

This Loan Agreement ("Agreement") is made and entered into as of this _____ day of _____, 20____, by and between the CITY OF ADELANTO, a California municipal corporation ("City") and ("Borrower").

RECITALS

A. The City has established the California Property Assessed Clean Energy Program (the "Program") pursuant to which the City may extend loans to property owners to finance the acquisition and installation on their property of certain qualifying renewable energy systems and energy efficient equipment. The purpose and method of administration of the loans under the Program are described in the CA PACE Program Report adopted by the City Council on May 12th, 2010, as it may be amended from time to time (the "Report").

B. The Program is authorized by Chapter 29 of Part 3 of Division 7 of the California Streets and Highways Code (the "Act").

C. The Borrower has submitted to the City that certain CA PACE Program Loan Application dated _____, 20____, a copy of which is attached hereto as Exhibit "A" and incorporated herein by this reference (the "Application"). The Application describes, among other things, the renewable energy system and/or energy efficient equipment which is to be financed with the proceeds of the loan described herein, and to be constructed on or installed in the property of Borrower described in Exhibit "B" attached hereto and incorporated herein by this reference (the "Property"), and the City has approved the Application as provided in the Report.

D. The Borrower wishes to participate in the Program by executing this Agreement with the City and using the proceeds of the loan made by the City to the Borrower hereunder to finance the acquisition and [construction] [installation] on the Property of the [renewable energy system] [energy efficiency equipment] described in the Application (the "Equipment"). The Equipment and its construction on or installation in the Property is collectively referred to herein as the "Work".



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NOW, THEREFORE, in consideration of the mutual covenants contained herein and other valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties agree as follows:

AGREEMENT

1. Loan Agreement

(a) Subject to the conditions set forth herein. The City agrees to extend a loan ("Loan") to Borrower in the amount of up to _____ Dollars (\$_____) (the "Loan Amount"). Notwithstanding anything to the contrary contained herein, the Loan Amount shall not in any event exceed the actual cost of the Work. The Borrower shall be solely responsible for the payment of all cost of the Work which exceeds the Loan Amount and Borrower agrees in any event to complete the Work and to fund all costs associated with such completion which may be in excess of the Loan Amount. This Agreement, together with the Application, the Report and the documents and instruments attached to or referenced in this Agreement and the Application are collectively referred to herein as the "Loan Documents."

(b) The term of the Loan and this Agreement shall be _____ (_____) years from the date that the proceeds of the Loan are first disbursed to the Borrower.

(c) Interest shall accrue on the unpaid principal balance of the Loan Amount from the date first disbursed to Borrower at the simple interest rate of 8.5 percent (8.5%) per annum. Interest shall be computed on the basis of a three hundred sixty (360) day year. If a law which applies to the Loan and which sets maximum interest rates or loan charges is interpreted by a court of competent jurisdiction in a manner as would cause the interest or other loan charges collected or to be collected in connection with the Loan to exceed the limits permitted by such laws, then: (i) any such interest or loan charge shall be reduced by the amount necessary to reduce the interest or charge to the permitted limit; and (ii) any sums already collected which exceed permitted limits will be refunded by the City. The City may choose to make the refund by reducing the outstanding principal amount of the Loan or by making a direct payment to the Borrower.

(d) The Borrower promises to pay to the City, without deduction or offset, the Loan Amount and the interest accrued thereon as provided herein. The repayment of the Loan Amount and interest accrued thereon shall be repaid by the Borrower to the City by the payment of an assessment levied against the Property pursuant to Section 5898.30 of the California Streets and Highway Code (the "Assessment"). In addition to the Assessment, the Borrower promises to pay to the City, without deduction or offset,



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an annual assessment levied against the Property to pay costs incurred by the City which result from the administration and collection of the Assessment or from the administration or registration of any associated bonds or reserve or other related funds (the "Annual Administrative Assessment"). The Annual Administrative Assessment shall not exceed Forty Dollars (\$40) per year, with annual increases to the \$40 maximum of no more than 2% per year. The Assessment and the Annual Administrative Assessment, and the interest and any penalties thereon shall constitute a lien on the Property until they are paid. The installments of the Assessment and the Annual Administrative Assessment (including principal and interest) shall be collected on the property tax bill pertaining to the Property, and shall be subject to the same penalties, remedies, and lien priorities as for property taxes in the event of non-payment. The Borrower hereby expressly consents to the levy of the Assessment and the Annual Administrative Assessment and the imposition of the lien on the Property as described herein and in the Act.

(e) The amount of assessment installments that will be placed on the Property each year is set forth in Exhibit "C" attached hereto and incorporated herein by this reference.

(f) The Assessment may be prepaid, in whole or in part, at any time upon the payment of a premium in an amount equal to two percent (2%) of the amount of the Assessment to be prepaid. Prepayment costs may also include trustee fees, bond interest, and other related charges.

2. Use of Proceeds

All proceeds of the Loan shall be used by Borrower for the sole purpose of paying for the reasonable costs and expenses of the Work on the Property, and in connection therewith the Borrower shall comply with all requirements set forth herein, in the Application and in the Report.

3. Disbursement Procedures

(a) Notwithstanding anything to the contrary contained herein, the City shall have no obligation to disburse the Loan Amount to the Vendor and/or Property Owner hereunder unless and until each of the following conditions are satisfied, or any such condition is expressly waived by the Director:

(i) The receipt by the Director of a written certification from Borrower, and the contractor(s), if any, that performed the Work, stating that the Work for which disbursement is requested is complete, and the actual cost of such Work. PHFA has selected Connor Energy to perform such certification.

(ii) An inspection of the Work by the PHFA, and a determination by the Director that the Work has been completed in full compliance with the requirements of the Loan Documents.

(iii) The receipt by the Director of such other documents and instruments as the Director may require, including but not limited to, if applicable, the sworn statements of contractor(s) and releases or waivers of lien, all in compliance with the requirements of applicable law.

(iv) Borrower has, as appropriate, executed and delivered to Director the Loan Documents and such other documents or instruments pertaining to the Loan or the Work as the Director may require.

(v) As of the date of disbursement of the Loan Amount, the Director shall have determined that the representations of the Borrower contained in the Loan Documents are true and correct, and no Default (as defined in Section 12 below) shall have occurred and be continuing.

(vi) No stop payment or mechanic's lien notice pertaining to the Work has been served upon the City and remains in effect as of the date of disbursement of the Loan Amount.

(vii) The City shall have performed a title verification (the "Title Check") and shall be in form and substance acceptable to the Director.

(b) Borrower will, within ten days (10) days of presentation by the Director, execute any and all documents or instruments required by the Loan Documents in connection with the disbursement of the Loan Amount.

4. Reports

Borrower agrees, upon the request of Director, to promptly deliver to the Director, or, if appropriate, cause its contractor(s) to promptly deliver to Director, a written status report regarding the Work.

5. Representations and Warranties of Borrower

Borrower promises that each representation and warranty set forth below is true, accurate and complete as of the date of this Agreement, and the date of disbursement of the Loan Amount. The disbursement of the Loan Amount shall be deemed to be a

reaffirmation by the Borrower of each and every representation and warranty made by Borrower in this Agreement.

(a) Formation: Authority. If Borrower is anything other than a natural person, it has complied with all laws and regulations concerning its organization, existence and the transaction of its business, and is in good standing in each state in which it conducts its business. Borrower is the owner of the Property and is authorized to execute, deliver and perform its obligations under the Loan Documents, and all other documents and instruments delivered by Borrower to the City in connection therewith.

This Agreement and the Application have been duly executed and delivered by Borrower and are valid and binding upon and enforceable against the Borrower in accordance with their terms, and no consent or approval of any third party, which has not been previously obtained by the Borrower, is required for the Borrower's execution thereof or the performance of its obligations contained therein.

(b) Compliance with Law. Neither Borrower nor the Property is in violation of, and the terms and provisions of the Loan Documents do not conflict with, any regulation or ordinance, any order of any court or governmental entity, or any building restrictions or governmental requirements affecting Borrower or the Property.

(c) No Violation. The terms and provisions of the Loan Documents, the execution and delivery of the Loan Documents by Borrower, and the performance by Borrower of its obligations contained therein, will not and do not conflict with or result in a breach of or a default under any of the terms or provisions of any other agreement, contract, covenant or security instrument by which the Borrower or the Property is bound.

(d) Other Information. If Borrower is comprised of the trustees of a trust, the foregoing representations shall also pertain to the trustor(s) of the trust. All reports, documents, instruments, information and forms of evidence which have been delivered to City concerning the Loan are accurate, correct and sufficiently complete to give City true and accurate knowledge of their subject matter.

(e) Lawsuits. There are no lawsuits, tax claims, actions, proceedings, investigations or other disputes pending or threatened against Borrower which may impair Borrower's ability to perform its obligations hereunder.

(f) Borrower Not a "Foreign Person". Borrower is not a "foreign person" within the meaning of Section 1445(f)(3) of the Internal Revenue Code of 1986, as amended from time to time.

(g) No Event of Default. There is no event which is, or with notice or lapse of time or both would be, a Default under this Agreement.

(h) Accuracy of Declarations. The declarations of the Borrower contained in the Application are accurate, complete and true.

6. Borrower's Covenants

Borrower promises to keep each of the following covenants:

(a) Completion of Work and Maintenance of Equipment. Borrower shall, or shall cause its contractor to, promptly commence construction of the Work, and diligently continue such Work to completion, in a good and workmanlike manner and in accordance with sound construction and installation practices. Borrower shall maintain the Equipment in good condition and repair.

(b) Compliance with Law and Agreements. In commencing and completing the Work, Borrower shall comply with all existing and future laws, regulations, orders, building restrictions and requirements of, and all agreements with and commitments to, all governmental, judicial and legal authorities having jurisdiction over the Property or the Work, and with all recorded instruments, agreements, and covenants and restrictions affecting the Property.

(c) Permits. Licenses and Approvals. Borrower shall properly obtain, comply with and keep in effect all permits, licenses and approvals which are required to be obtained from any governmental authority in order to commence and complete the Work. Borrower, upon the request of the Director, shall promptly deliver copies of all such permits, licenses and approvals to the Director.

(d) Site Visits. Borrower grants City, its agents and representatives the right to enter and visit the Property at any reasonable time, after giving reasonable notice to Borrower, for the purposes of observing the Work. City will make reasonable efforts during any site visit to avoid interfering with Borrower's use of the Property. Borrower shall also allow City to examine and copy records and other documents of Borrower which relate to the Work. City is under no duty to visit the Property, or observe any aspects of the Work, or examine any records, and City shall not incur any obligation or liability by reason of not making any such visit or examination. Any site visit, observation or examination by City shall be solely for the purposes of protecting City's rights under the Loan Documents.

(e) Protection Against Lien Claims. Borrower shall promptly pay or otherwise discharge any claims and liens for labor done and materials and services furnished to the Property in connection with the Work. Borrower shall have the right to contest in good faith any claim or lien, provided that it does so diligently and without delay in completing the Work.

(f) Insurance. Borrower shall provide, maintain and keep in force at all times until the Work is completed, builder's all risk property damage insurance on the Property, with a policy limit equal to the full replacement cost of the Work.

(g) Notices. Borrower shall promptly notify City in writing of any Default under this Agreement, or any event which, with notice or lapse of time or both, would constitute a Default hereunder.

7. Mechanic's Lien and Stop Notices

In the event of the filing of a stop notice or the recording of a mechanic's lien pursuant to applicable law of the State of California and relating to the Work, Director may summarily refuse to make any disbursement of the Loan Amount, and in the event Borrower fails to furnish Director a bond causing such notice or lien to be released within ten (10) days of notice from Director to do so, such failure shall at the option of City constitute a Default under the terms of this Agreement. Borrower shall promptly deliver to Director copies of all such notices or liens.

9. Indemnification

(a) Borrower shall indemnify, defend, protect, and hold harmless the City and any and all agents, employees, attorneys, and representatives of the City including Pacific Housing & Finance Agency personnel, Public Finance Solutions & Engineering, and Connor Energy (collectively, the "City Parties"), from and against all losses, liabilities, claims, damages (including consequential damages), penalties, fines, forfeitures, costs and expenses (including all reasonable out-of-pocket litigation costs and reasonable attorney's fees) and any demands of any nature whatsoever related directly or indirectly to, or arising out of or in connection with, (i) the Loan Documents, (ii) the disbursement of the Loan Amount, (iii) the Work, (iv) the Equipment, (v) any breach or Default by Borrower under the Loan Documents, (vi) the Assessment and the Annual Administrative Assessment, or (vii) any other fact, circumstance or event related to City's extension of the Loan to Borrower or Borrower's performance of its obligations under the Loan Documents (collectively, the "Liabilities"), regardless of whether such Liabilities shall accrue or are discovered before or after the disbursement of the Loan Amount.

(b) The indemnity obligations described in this Section 9 shall survive the disbursement of the Loan Amount, the repayment of the Loan, the transfer or sale of the Property by the Borrower, and the termination of this Agreement.

9. Waiver of Claims

For and in consideration of the City's execution and delivery of this Agreement, Borrower, for itself and for its successors-in-interest to the Property and for any one claiming by, through, or under the Borrower, hereby waives the right to recover from and fully and irrevocably releases the City Parties from any and all claims, obligations, liabilities, causes of action, or damages, including attorneys' fees and court Costs, that Borrower may now have or hereafter acquire against any of the City Parties and accruing from or related to (i) the Loan Documents, (ii) the disbursement of the Loan Amount, (iii) the performance of the Work, (iv) the Equipment, (v) any damage to or diminution in value of the Property that may result from the Work, (vi) any personal injury or death that may result from the Work, (vi) the selection of manufacturer(s), dealer(s), supplier(s), contractor(s) and/or installer(s), and their action or inaction with respect to the Work or the Equipment, (vii) the merchantability and fitness for any particular purpose, use or application of the Equipment, (vii) the amount of energy savings resulting from the Work and the Equipment, (ix) the workmanship of any third parties, and (x) any other matter with respect to the Program. This release includes claims, obligations, liabilities, causes of action, and damages of which Borrower is not presently aware or which Borrower does not suspect to exist which, if known by Borrower, would materially affect Borrower's release of the City Parties.

BORROWER HEREBY ACKNOWLEDGES THAT IT HAS READ AND IS FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542 ("**SECTION 1542**"), WHICH IS SET FORTH BELOW:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR." BY INITIALING BELOW, BORROWER HEREBY WAIVES THE PROVISIONS OF SECTION 1542 SOLELY IN CONNECTION WITH THE MATTERS WHICH ARE THE SUBJECT OF THE FOREGOING WAIVERS AND RELEASES.

Borrower's Initials

The waivers and releases by Borrower contained in this Section 9 shall survive the disbursement of the Loan amount, the repayment of the Loan, the transfer or sale of the Property by the Borrower, and the termination of this Agreement.

10. Further Assurances

The Borrower shall execute any further documents or instruments consistent with the terms of this Agreement, including documents and instruments in recordable form, as City shall from time to time find necessary or appropriate to effectuate its purposes in entering into this Agreement and making the Loan.

11. Events of Default

(a) Subject to the further provisions of this Section 11, the failure of any representation or warranty of the Borrower contained herein to be correct in all material respects, or the failure or delay by Borrower to perform any of its obligations under the terms or provisions of the Loan Documents, shall constitute a default hereunder ("Default"). The Borrower must immediately commence to cure, correct, or remedy such failure or delay and shall complete such cure, correction or remedy with reasonable diligence, but in any event, within the time set forth in Sections 11(c) and (d) below, as applicable.

(b) The City shall give written notice of default to Borrower, specifying the default complained of by the City. Delay in giving such notice shall not constitute a waiver of any default nor shall it change the time of default.

(c) If a monetary event of default occurs, prior to exercising any remedies under the Loan Documents or the Act, City shall give Borrower written notice of such default. Borrower shall have a period of thirty (30) days after such notice is given within which to cure the default prior to exercise of remedies by City.

(d) If a non-monetary event of default occurs, prior to exercising any remedies under the Loan Documents or the Act, City shall give Borrower notice of such default. If the default is reasonably capable of being cured within thirty (30) days, Borrower shall have such period to effect a cure prior to exercise of remedies by City under the Loan Documents or the Act. If the default is such that it is reasonably capable of being cured, but not within such thirty (30) day period, and Borrower (i) initiates corrective action within such thirty (30) day period, and (ii) diligently, continually, and in good faith works to effect a cure as soon as possible, then Borrower shall have such additional time as is reasonably necessary to cure the default prior to exercise of any remedies by City.

However, in no event shall City be precluded from exercising remedies if its security becomes or is about to become materially jeopardized by any failure to cure a default, or if the default is not cured within one hundred and twenty (120) days after the first notice of default is given.

(e) If any Default occurs, then, upon the election of City, (i) if there has been no disbursement of the Loan Amount, this Agreement shall terminate and, except as otherwise expressly provided herein, the parties have no further obligations or rights hereunder, or (ii) if the Loan Amount has been disbursed in whole or in part, City may terminate its obligations to make any further disbursement of the Loan Amount and exercise any or all of the rights and remedies available to it under applicable law, at equity or as otherwise provided herein.

(f) Any and all costs and expenses incurred by the City in pursuing its remedies hereunder shall be additional indebtedness of the Borrower to the City hereunder, and shall be secured as provided in the Act.

(g) Except as otherwise expressly stated in this Agreement, the rights and remedies of the City are cumulative, and the exercise of one or more of such rights or remedies shall not preclude the exercise by the City, at the same time or different times, of any other rights or remedies for the same Default or any other Default. No failure or delay by City in asserting any of its rights and remedies as to any Default shall operate as a waiver of any Default or of any such rights or remedies, or deprive the City of its rights to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

(h) Performance of the covenants and conditions imposed upon Borrower hereunder with respect to the commencement and completion of the Work shall be excused while and to the extent that, Borrower is prevented from complying therewith by war, riots, strikes, lockouts, action of the elements, accidents, or acts of God beyond the reasonable control of the Borrower; provided, however, that such event is not caused by the fault, negligence or misconduct of Borrower; and provided, further, as soon as the cause or event preventing compliance is removed or ceases to exist the obligations shall be restored to full force and effect and Borrower shall immediately resume compliance therewith and performance thereof.

12. Compliance with Local, State and Federal Laws

Borrower shall perform the Work, or cause the Work to be performed, in conformity with all applicable laws, including all applicable federal, state and local occupation, safety and health laws, rules, regulations and standards. Borrower agrees to indemnify, defend

and hold the City Parties harmless from and against any cost, expense, claim, charge or liability relating to or arising directly or indirectly from any breach by or failure of Borrower or its contractor(s) or agents to comply with such laws, rules or regulations. The indemnification obligations described in this Section 12 shall survive the disbursement of the Loan Amount, the repayment of the Loan, and the termination of this Agreement.

13. Severability

Each and every provision of this Agreement is, and shall be construed to be, a separate and independent covenant and agreement. If any term or provision of this Agreement or the application thereof shall to any extent be held to be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to circumstances other than those to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and shall be enforced to the extent permitted by law.

14. Notices

All notices and demands shall be given in writing by certified mail, postage prepaid, and return receipt requested, or by personal delivery (by recognized courier service or otherwise). Notices shall be considered given upon the earlier of (a) personal delivery or (b) two (2) business days following deposit in the United States mail, postage prepaid, certified or registered, return receipt requested. Notices shall be addressed as provided below for the respective party; provided that if any party gives notice in writing of a change of name or address, notices to such party shall thereafter be given as demanded in that notice:

To City:

CITY OF ADELANTO
ATTN: CITY MANAGER
11600 AIR EXPRESSWAY
ADELANTO, CA 92301

With a Copies to:

PACIFIC HOUSING & FINANCE AGENCY
1621 W 25th STREET, STE 111
SAN PEDRO, CA 90732

And



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7670 OPPORTUNITY ROAD, SUITE 250

SAN DIEGO, CA 92111

To Borrower:

15. Attorneys' Fees and Costs

In the event that any action is instituted to enforce payment or performance under this Agreement, the parties agree that the non-prevailing party shall be responsible for and shall pay all costs and all attorneys' fees incurred by the prevailing party in enforcing this Agreement.

16. No Waiver

No disbursement of the Loan Amount shall constitute a waiver of any conditions to the City's obligation to make further disbursements nor, in the event Borrower is unable to satisfy any such conditions, shall any such waiver have the effect of precluding the City from thereafter declaring such inability to constitute a Default under this Agreement. No disbursement of the Loan Amount based upon inadequate or incorrect information shall constitute a waiver of the right of City to receive a refund thereof from Borrower.

17. Governing Law

This Agreement shall be governed by the laws of the State of California. Any legal action brought under this Agreement must be instituted in the Superior Court of the County of San Bernardino, State of California, or in an appropriate municipal court in that County or in the United States District Court for the Central District of California.

18. Amendment of Agreement

No modification, rescission, waiver, release or amendment of any provision of this Agreement shall be made except by a written agreement executed by the Borrower and City.

19. City May Assign: Role of the City

City, at its option, may (i) assign any or all of its rights and obligations under the Loan and this Agreement, and (ii) pledge and assign its right to receive the Assessment, the Annual Administrative Assessment, and the repayment of the Loan and any other payments due to the City hereunder, without obtaining the consent of the Borrower.

20. Borrower Assignment Prohibited

In no event shall Borrower assign or transfer any portion of this Agreement or Borrower's rights or obligations under the Agreement without the prior express written consent of City, which consent may be granted or withheld in the sole and absolute discretion of the City.

21. Relationship of Borrower and City

The relationship of Borrower and City pursuant to this Agreement is that of debtor and creditor and shall not be or be construed to be a joint venture, equity venture, partnership, or other relationship.

22. General

Time is of the essence of this Agreement and of each and every provision hereof. This Agreement, together with the other Loan Documents, constitutes the entire agreement between the parties hereto, and there shall be no other agreement regarding the subject matter thereof unless signed in writing by the part to be charged. If there is more than one "Borrower," the obligations hereunder of all Borrowers shall be joint and several.

23. Counterparts

This Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of such counterparts together shall constitute one and the same instrument.

24. Special Termination

Notwithstanding anything to the contrary contained herein, this Agreement shall terminate and be of no further force or effect If the Borrower has submitted to the Director a notice of its decision to cancel this transaction on or prior to the date and time described in the [Notice of Right to Terminate] which was delivered to the Borrower upon its execution of this Agreement



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IN WITNESS WHEREOF, Borrower and City have entered into this Agreement as of the date and year first above written.

Borrower:

City:

City of Adelanto,
a California municipal corporation

Date of Execution by Borrower:

By: _____

Name: _____

Title: _____

ATTEST: _____



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EXHIBIT "A"
[ATTACH COPY OF EXECUTED AND APPROVED APPLICATION]



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EXHIBIT "B"

DESCRIPTION OF THE PROPERTY



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EXHIBIT "C"
SCHEDULE OF ASSESSMENT INSTALLMENTS

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Maximum Annual Administrative Assessment</u>	<u>Total</u>
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[To be provided]

Appendix E: Summary of Loan Process

Definition / Role of Key Participants:

JPA Agency: Pacific Housing and Finance Agency (PHFA). PHFA is the Joint Powers Authority (JPA) sponsoring the CA PACE Program in which Member Agencies may participate in. Mr. Dave Elder is the Executive Director for the JPA Agency.

Member Agency: Any City or Public Agency that is a member of the Pacific Housing and Finance Agency (PHFA) Joint Powers Authority. For a complete list of current Member Agencies please visit our website at www.cityenergysavings.com.

Bond Underwriter: The municipal bond underwriter, Chilton & Associates, will use its best efforts for issuing municipal bonds to finance approved property owner energy efficiency loans for participating Member Agencies. The bond underwriter will market the bonds at the market given then existing bond market conditions. It is possible, if economic situations that arose in late 2008 and the first half of 2009 were to reappear, that there would be no market for the Pacific Housing & Finance Agency Energy Improvement Bonds.

Bond Counsel: The municipal bond counsel, Timothy Sabo of Lewis, Brisbois, Bisgaard & Smith, LLP, is responsible for rendering a legal opinion on the municipal bonds issued.

Program Administrator: Public Finance Solutions & Engineering (PFSE) is the program administrator for the JPA Agency responsible for program administration including property owner questions, debt administration (including tax roll billing) and Member Agency support.

Energy Verification Agent: Connor Energy is the Energy Verification Agent for the JPA Agency. The Energy Verification Agent is responsible for two main functions:

- 1) Qualifying contractors and vendors to participate in the program;
- 2) Certify that the energy equipment has been properly and securely installed at the property location.

STEP 1: Defining the Energy and Water Efficiency Improvements

The first step in the loan process is defining the type of energy efficiency improvements or water savings equipment to be installed. Property owners can work directly with any approved contractor (all licensed and insured contractors are eligible to become an approved contractor) to determine the scope of a project. Property owners should schedule meetings with approved contractors to discuss proposed Energy and Water Improvements

guarantees and warranties and to get assistance with planning for those Improvements. It is encouraged that property owners solicit multiple bids for the work the property owner desires to have completed.

Most approved contractors will provide property owners with an optional, no-cost, on-site energy survey (including a no-cost solar site check) to assist property owners in determining their most effective means for CA PACE Program participation.

Lastly, the property owner obtains an approved contractor's bid or determines the cost of the equipment construction, and/or installation.

STEP 2: Completing a Program Loan Application

The property owner may contact the Program Administrator:

Public Finance Solutions & Engineering (PFSE)
7670 Opportunity Rd. Suite 250
San Diego, CA 92111

Call Toll Free: (877) 577-**PFSE** (7373)

Or download forms at: www.cityenergysavings.com

Or visit their City's local office to request a Program Loan Application form (the "Application"). The Program Administrator's staff will provide an Application by hard copy, e-mail, facsimile, U.S. Mail or web link as requested by the property owner. Applications and instructions are also available on the web site (www.cityenergysavings.com).

The property owner submits the Application together with its required attachments to the Program Administrator. The Program Administrator determines whether each Application is complete and acceptable per Program Administrator guidelines. Incomplete Applications will not be accepted.

Applications will be processed on first-come, first-served basis.

The complete application submittal shall include:

- 1) Completed application and requested attachments;**
Application Fee Check payable to PFSE for application processing. The application fee is fully refundable if the application is incomplete.

Application Review

During the Application Review process the Program Administrator verifies that:

1. The application is complete and accurate;
2. The property owner(s) owns the subject property;
3. The subject property is developed and located in the boundaries of the Member Agency's defined Program Boundaries;
4. The subject property is not exempt from ad valorem property taxes;
5. The property owner(s) is/are current in the payment of ad valorem property taxes for the subject property;
6. The property owner(s) has/have declared that the subject property is/are not currently involved in a bankruptcy proceeding or foreclosure process;
7. The proposed Energy Efficiency Improvements and costs are eligible to be financed under the Program. If the proposed Energy Efficiency Improvements are part of a project that includes new construction (e.g., a room addition), the costs of the work have been properly allocated between retrofitting and new construction;
8. The cost estimate(s) appear to be reasonable;
9. The proposed contractor(s) is/are licensed by the State of California and is/are in good standing with the Contractors State Licensing Board;
10. The proposed contractor(s) has a current City Business License;
11. The requested loan amount is equal to or greater than \$5,000; and
12. CA PACE Program financing is available upon the successful sale of the bonds by the Pacific Housing & Finance Agency.

Within 15 business days of receipt of an application, the Program Administrator notifies the property owner if the application is incomplete, or denied.

Incomplete. An application shall be deemed incomplete if it is missing any information or attachments the property owner is required to provide. Incomplete applications may be resubmitted. The Program Administrator will process resubmitted applications on a first-come, first-served basis based upon the new receipt date.

Denied. An application shall be deemed denied if the Program Administrator cannot verify any of the items in steps (1) through (12). A property owner may request a written statement of specific reasons for the denial within 60 business days of the date of notification of denial. In such case, the Program Administrator will provide such a statement to the property owner. Denied applications may be resubmitted. The Program Administrator will process resubmitted applications on a first-come, first-served basis based upon the new receipt date.

If an application is denied because the cost estimate(s) is/are not deemed reasonable by the Program Administrator and/or JPA Executive Director, a resubmitted application must be accompanied by additional documentation of cost estimates as determined in the Program Administrator and/or JPA Executive Director's discretion, including, but not limited to, cost estimates provided by one or more additional contractors.

The property owner will not be required to select the low bid; however, the Program Administrator and/or JPA Executive Director may limit the maximum loan amount to an amount deemed reasonable by the Program Administrator and/or JPA Executive Director.

With respect to an application to finance a renewable energy system(s) other than solar (such as wind or geothermal) or a custom energy efficiency measure(s) (such as a combined heat and power system cogeneration system), or to finance an emerging technology, the Program Administrator and/or JPA Executive Director reserves the right to require the appropriate energy studies showing the energy savings and/or energy generation capabilities of the proposed project.

STEP 3: Enter into a Loan Contract

Sometime after an Application has been approved, the Program Administrator on behalf of the Member Agency will enter into a contractual assessment agreement (the "Loan Contract") with the property owner. This will assure the property owner that the Program Loan has been approved and that funds will be reserved for the property owner's approved project if there is a Pacific Housing & Finance Agency bond sale. Failure of the property owner to execute a Loan Contract within such 10-day period will require the Application to be resubmitted. The Program Administrator will process resubmitted applications on a first-come, first-served basis based upon the new receipt date.

Upon execution of a Loan Contract, the City records an assessment lien against the subject property in the City offices and the County Recorder's office. The Approval number is then provided to the Program approved Contractor to commence the installation of the Energy Efficiency Improvements as specified in the Loan Contract.

STEP 4: Installation of Improvements

Property owner enters into a contractual arrangement directly with a contractor for energy and water efficiency improvements unless the property owner is self-installing the Improvements. All work is subject to the Member Agency's Building Department permitting and inspections and all other applicable federal state and local laws and regulations. All work must be completed within 180 days of execution of the Loan Contract.

Progress Payments are not permitted under the Program. However, if the maximum loan amount is \$20,000 or greater, the property owner may request in writing that the JPA Executive Director approve a progress payment prior to the completion of the work. The JPA Executive Director's decision to make a progress payment shall be based on Program funding availability Any such decision shall be final.

STEP 5: Final Inspections

Once the Property owner notifies the Program Administrator that all work has been completed the Program Administrator shall direct the Energy Verification Agent to inspect the completed work within seven (7) business days of receipt of notification that work is completed.

Based on satisfactory project completion, the Program Administrator shall direct that bond proceeds be disbursed to the approved Contractor according to the terms of the Contractor Installation Agreement with the Energy Verification Agent upon the successful sale of bonds. Within 90 days after all required paperwork has been received, and all improvements verified, the Contractor shall be paid in accordance with the Contractor Installation Agreement.

STEP 6: Annual Payment of Property Taxes

The property owner shall be responsible for the CA PACE Program Loan payment included in their annual Property Tax Bill, and shall be collected with and in the same manner as Property Taxes. The Program Administrator staff annually sends a database of assessment installments to the County Assessor for collection of the assessment on the property tax roll.

At any time, the property owner can request a payoff quote at no-charge to pre-pay the Energy Efficiency assessment lien on the property. Such payoff calculation includes the principal balance, any bond redemption premiums, interest amounts due, and any administrative charges if applicable.