

Atlanta Commercial Property Assessed Clean Energy (C-PACE)

Program Guidelines

Invest Atlanta

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Section 1. Executive Summary

Program Overview

The Atlanta Commercial Property Assessed Clean Energy (C-PACE) program (the Program) is a voluntary financing program established by the City of Atlanta (the "City") and implemented by the Downtown Development Authority of the City of Atlanta (the "Authority") in accordance with the laws of the State of Georgia and the City.

The Program is intended to assist owners of property within the Atlanta city limits to finance or refinance the installation of energy efficiency, water efficiency, renewable energy, and resiliency improvements as incorporated herein by this reference (the "Eligible Improvements"). Property owners who voluntarily choose to participate in the Program enter into an agreement with the Authority, administratively acknowledged by the City, to repay the financing and the administrative costs of the Program through non-ad valorem special assessments added to their property tax and/or solid-waste bills (the "Assessment Contract"). There may be other types of financing available to property owners for making Eligible Improvements to their property and the Authority does not guarantee that the Program is the best financing option. Property owners should obtain professional guidance in selecting the option most appropriate for their situation.

C-PACE financing is secured by a voluntary special assessment lien on the improved property. This lien is senior to any encumbrances on the property (including mortgage debt) and is repaid over the Expected Useful Life (EUL) of the Eligible Improvements (up to 30 years). Because C-PACE financing is secured by a senior lien, low-interest capital can be raised from the private sector with little or no government financing required.

As the Program Administrator, Invest Atlanta will oversee the billing and collection of scheduled payments for all voluntary special assessment liens via annual property taxes.

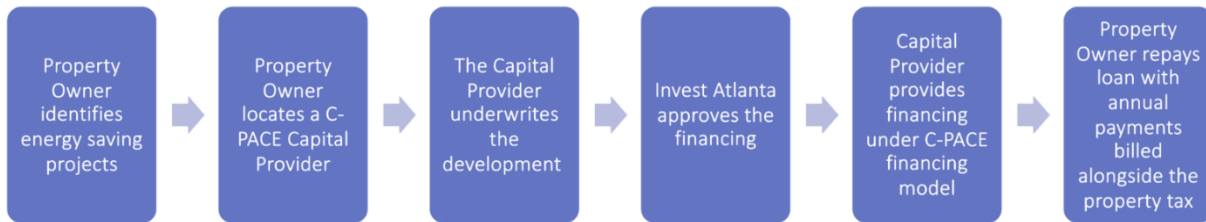
Founding Legislation

City Council Ordinances No. 12-O-1615 and No. 16-O-1431 (the "PACE Powers Ordinance"), and Resolution No. 12-R-1617, laid the preliminary groundwork for the PACE program in Georgia as early as 2012. These ordinances gave the City the power to establish one or more special districts within which commercial property owners may voluntarily consent to the installation of energy and water conservation improvements and to the imposition of a fee, tax or assessment which may be assigned through contract with the City's development authority in order to provide financing for the installation or modification of improvements that reduce energy or water consumption or produce energy from renewable resources. The PACE district was established extending across the City of Atlanta boundaries, and as of 2016, including the portions of the City in both Fulton and DeKalb counties.

Open Market Structure

The Program will utilize an Open Market structure, meaning property owners are able to bring their own private financing and no taxpayer funding will be injected into the project. Property owners and developers will utilize their own financing relationships, undergoing an underwriting process tied to the respective financing sources, to deploy capital in an efficient manner. Applicants will provide all required

intake documents as outlined in Section 4 for Invest Atlanta’s review before moving to the next phase of the process. The full application process can be found in Section 6.



Section 2. Benefits of C-PACE Financing

The funding of C-PACE projects facilitates the restoration of properties across the City, furthering the City's clean energy goal of 100% clean energy by 2035. Additionally, C-PACE financing promotes the creation and preservation of affordable housing, the reduction of household energy burdens for low-income renters, job creation for minority contractors, and a positive cash flow for the organization to be used for further development.

The benefits of C-PACE Financing for property owners and developments specifically include, but are not limited to:

- Up to 30-year fixed rate loan terms
- Rates can be up to 50% less than mezzanine debt
- Non-recourse financing upon completion
- One payment per year through property tax bill
- Obligation will be transferred upon sale of property to new owner
- Option for tailored step-down prepayment fees (to be arranged with lender)
- 100% financing available upfront for eligible upgrades and new construction supporting energy efficiency, water efficiency, renewable energy, and resiliency improvements

Section 3. Eligibility

The Program is available to all commercial properties within the corporate municipal limits of the City of Atlanta. In order to participate in the Program, a property owner must meet and complete the following requirements and steps:

3a. Property Eligibility

- The property to be improved with the Eligible Improvements must be within the City's corporate municipal limits.
- The property must not be a residential dwelling of four units or less – multi-family residential properties with five units or more are eligible.
- Eligible property types include, but are not limited to, the following: office, industrial, multifamily housing, retail, and hospitality.
- Ineligible property types include, but are not limited to, the following: single-family residential

homes and government or publicly owned buildings.

- If eligibility is unclear, Invest Atlanta may determine eligibility based on its reasonable discretion.

3b. Property Owner Eligibility

- Benefited property owner must not be a state, municipality, or political subdivision
- Property owner must be up to date on all tax and financial payments, with no current liens on the property

3c. Eligible Improvements

- Eligible improvements include hard, soft, and associated costs connected to mechanical, electrical, plumbing, insulation, conservation, and renewable energy sources. Examples include HVAC, lighting and facility controls, windows, boilers, and heating.
- Eligible Improvements must lower the energy consumption of the building or enable the building to produce clean energy.
- Eligible Improvements must be “permanently affixed” to the property, with the exception of district heating and cooling systems through microgrids.
- Maximum Loan-to-Value (LTV) of 25% based on the as-stabilized or as-complete property value
- If eligible improvements are not listed above, Invest Atlanta may determine eligibility based on its reasonable discretion.

Section 4. Required Documents

Property owners must provide the following documents in order for their application to be considered complete:

1. Mortgage Holder Consent
 - Property owners must receive written consent of their existing mortgage holder to participate in the Program.
 - A template Mortgage Holder Consent Form will be provided by Invest Atlanta in the Final Documentation Submission phase of the process. Other forms evidencing mortgage holder consent may be used and submitted, but it will be subject to review and approval by Invest Atlanta in its sole discretion.
2. Disclosure of Risk
 - Property owners must sign a Disclosure of Risk Form.
 - Disclosure of Risk Form will be provided by Invest Atlanta in the Final Documentation Submission phase of the process.
3. Energy Audit (ASHRAE Level II Required)
 - The Energy Audit must demonstrate a Savings-to-Investment Ratio (SIR) greater than 1. See Section 5 for additional details.
4. Property Appraisal
 - The property appraisal must have been conducted within the past 24 months and will be utilized to calculate the Loan-to-Value (LTV) ratio.

- The appraisal may take into account the expected increase in fair market value resulting from the improvements, as completed or as stabilized.

Section 5. Energy Audits & SIR

To verify compliance with Program Guidelines, all C-PACE applicants are required to provide an Energy Audit, including a commissioning plan, and a subsequent report.

5a. Energy Audits & SIR

- The Energy Audit (ASHRAE Level II Required) must be conducted by a Certified Energy Auditor, Certified Energy Manager, or Certified Commissioning Agent (for multi-family residential buildings, a Multifamily Building Analyst, or a HERS Rater) to estimate energy savings and demonstrate the projected lifetime savings from the eligible improvements. These audits are to include a road map to reach resource efficiency goals. Audits include recommendations for efficiency and conservation projects, estimated savings and return on investment. The Energy Audit should include three primary sections:

1. Verify building's baseline energy consumption by entering one year's water and energy (power and gas) bills into Energy Star Portfolio Manager's (ESPM) free platform:
<https://www.energystar.gov/buildings/benchmark>.

Multiple training resources are available on the website. Provide access to the building's ESPM website, and the most current report.

2. Validate reasonableness of project energy savings and Eligible Improvements cost estimate.

Rank by priority based on estimated cost effectiveness.

3. Confirm adequate commissioning plan is in place.

Commissioning must have been conducted within the past 5 years by a qualified licensed Commissioning Authority (CxA). This CxA must be an independent consultant.

Must provide Commissioning plan and Operations and Maintenance schedule.

- The energy auditor is to confirm that energy measures are properly installed once the package of Eligible Improvements is complete. Copies of executed contracts and a final report must be provided.

5b. Savings-to-Investment Ratio (SIR)

- The package of Eligible Improvement measures together must meet a Savings-to-Investment Ratio (SIR) of greater than 1, meaning that projected lifetime savings from the energy measures must exceed the total investment over the full term of the C-PACE assessment, over the Expected Useful Life (EUL) of the measures. The SIR calculation may also include operational

savings, maintenance savings, and finance savings (i.e., percent interest costs of using C-PACE vs. mezz debt). Any resiliency measures are **not** included in the SIR calculation.

- **The SIR audit process is not applicable to new construction, repositioning, and gut rehab** because of the lack of a pre-improvement energy baseline against which to measure energy savings. Rather, the allowable C-PACE financing is based on the design level of energy performance exceeding the applicable building energy code. Invest Atlanta will evaluate the base line and design levels of energy modeling submitted by qualified projects and determine the percentage by which the design exceeds the base line.

Invest Atlanta reserves the right to select and retain an energy auditor to conduct reviews of the technical review work performed to ensure compliance with both the program guidelines and Energy Audit standards.

Section 6. C-PACE Application Process

Applicants will apply through a digital landing portal. The log-in and profile created during the application will be used throughout the review process as the main portal for documentation uploads.

The Atlanta C-PACE application will require the following:

Phase 1: Intake

- Eligibility Confirmation
- Invest Atlanta will reach out to the applicant within 5 business days of completing the Eligibility section of the application to schedule a 30-min phone consultation to discuss the proposed C-PACE project.

Phase 2: Application Submission

- Property Owner Information
- Property Information
- Project Information
- Contractor Information
- Capital Provider Information
- Payment of \$500 application fee

Phase 3: Final Documentation Submission

A receipt of all following documents within the digital portal is required before any Atlanta C-PACE project is approved:

- Submitted Application via the digital portal
- Mortgage Holder Consent Form
- Disclosure of Risk Form
- Energy Audit (ASHRAE Level II required). For new construction, an energy model will not be required.
- Property Appraisal

Phase 4: Closing Documentation

Invest Atlanta, as Program Administrator, will work alongside the lender and property owner to execute any and all necessary documentation as required throughout the closing process.

Section 7. Post-Closing Process

After the closing of the Atlanta C-PACE project, property owners will be billed for Eligible Improvements on an annual basis via their appropriate property tax bill based on the county in which the property is located. The following reports will be required (additional reporting may be requested by the Program Administrator and required as deemed necessary):

1. Certificate of Completion
 - Upon construction completion, a Certificate of Completion attesting that construction of the project has been completed (the “Certificate of Completion”) must be provided to the Program Administrator.
2. Data Reporting
 - Property owners are required to provide energy savings reports quarterly for the first year of the loan term and annually thereafter.

Section 8. Program Fees

The following fees are associated with an Atlanta C-PACE project:

- Application Fee - \$500
- Administration Fee – 1% of total financing costs at closing, capped at \$100,000
- Servicing Fee - 30 basis points (bps) of annual payment, to be added to the annual tax bill
- County Tax Collector Fee – 1% of annual payment, to be added to the annual tax bill

Section 9. Environmental Justice & Equal Business Opportunity (EBO)

In accordance with the pillars of Justice40, the Atlanta C-PACE program remains steadfastly focused on facilitating equitable outcomes. As of 2019, the City of Atlanta had the 4th highest energy burden in the United States, with energy burden defined as the percentage of household income spent on energy bills. The focus of the Atlanta C-PACE program reflects central goals to facilitate affordable housing creation and provide C-PACE financing in disinvested neighborhoods to reduce energy cost burdens.

Furthermore, the Program is cognizant of the City of Atlanta's Equal Business Opportunity and Equal Employment Opportunity programs and the findings, evidence, investigations, studies, and reports validating them issued in connection with the City's Equal Business Opportunity Program. Invest Atlanta acknowledges the need for increased opportunities for minority, female and disadvantaged business enterprises. Therefore, with respect to the foregoing commitment, the Program will follow the below protocols:

- The Program will comply with the Authority's stated goals for participation by minority, female and disadvantaged business enterprises in the administration and inclusion of the Authorized

Contractors and any other contractors performing the work contemplated hereunder. Additionally, the Administrator agrees that no person shall be excluded from participation, denied the opportunity to compete, or otherwise discriminated against in the award or performance of any contract, subcontract, or procurement arrangement on the basis of race, color, creed, national origin, age, disability, or sex.

- Best efforts will be made by the Program to promote business opportunities for all competitive qualified business enterprises that seek to participate in work associated with the program for the retrofit market of buildings.
- The Program will support outreach efforts to provide for fair and reasonable opportunities for participation by minority, female and disadvantaged business enterprises.

Section 10. Changes in Program Terms; Severability

Invest Atlanta reserves the right to reject any and all responses, to amend the program guidelines and the process itself, or to discontinue the process at any time; however, no changes made will affect the obligation of existing C-PACE borrowers to pay C-PACE changes for previously approved and awarded financing.

It is the applicant's responsibility to confirm and maintain copies of the latest program guidelines as updated on the Atlanta C-PACE website.