

File No. 091452

Committee Item No. 7

Board Item No. 14

COMMITTEE/BOARD OF SUPERVISORS
AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date: January 6, 2010

Board of Supervisors Meeting

Date 1/12/10

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Budget Analyst Report |
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Completed by: Victor Young

Date December 30, 2009

Completed by: yg

Date 1/7/10

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

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17/10/10

1 [Resolution approving administrative terms and conditions for San Francisco Sustainable
2 Financing Program.]

3 **Resolution approving administrative terms and conditions for the San Francisco**
4 **Sustainable Financing Program; identifying the San Francisco Department of the**
5 **Environment or its City agency designee as the Program Administrator for the City;**
6 **setting reporting requirements; authorizing the execution of an administrative services**
7 **agreement; and related matters.**

8 WHEREAS, Under Ordinance Nos. 196-08 and 216-09 (together, the "Enabling
9 Ordinance") the Board of Supervisors (the "Board of Supervisors") of the City and County of
10 San Francisco (the "City") has adopted the San Francisco Special Tax Financing Law, an
11 ordinance providing authority for the establishment of a unique type of Mello-Roos special tax
12 district to finance energy efficiency, renewable energy, water conservation and water pollution
13 control improvements to privately-owned real property; and,

14 WHEREAS, The Enabling Ordinance provides that such a district may be formed with
15 no participating properties at its formation, with special taxes to be paid only by those property
16 owners electing to join the district in order to finance a qualifying retrofit project; and,

17 WHEREAS, By its Resolution Nos. 464-09 and 465-09, respectively, the Board of
18 Supervisors has adopted a resolution of intention to establish City and County of San
19 Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing) (the
20 "Special Tax District"), along with a resolution of intention for such Special Tax District to incur
21 bonded indebtedness; and,

22 WHEREAS, This Resolution has been submitted for consideration in connection with
23 several pieces of legislation that, if approved, together would authorize the formation of the
24 Special Tax District for the purpose of financing approved projects (together, the "District
25 Formation Legislation"); and,

1 WHEREAS, On January 30, 2009 the Controller's Office of Public Finance issued a
2 request for proposals (the "RFP") in respect of administrative and financial services in support
3 of the implementation and operation of the Special Tax District; and,

4 WHEREAS, Renewable Funding LLC ("Renewable Funding") was selected as the
5 highest ranked proposer under the RFP; and,

6 WHEREAS, Renewable Funding and City staff have negotiated a form of
7 administration services agreement relating to the Special Tax District, which is on file with the
8 Clerk of the Board of Supervisors in File No. 091452 (the "Administration Services
9 Agreement"); and

10 This Board of Supervisors now wishes to establish administrative terms and conditions
11 and related processes to implement and operate the proposed Special Tax District and its
12 financing structure; now, therefore, be it

13 RESOLVED, That, upon due approval of the District Formation Legislation this Board
14 of Supervisors hereby directs the establishment of the San Francisco Sustainable Financing
15 Program (the "Program"), and that such program shall be implemented and operated
16 according to the terms and conditions set forth in this Resolution; and be it

17 FURTHER RESOLVED That the Program shall be administered on behalf of the City
18 by the San Francisco Department of the Environment, or such other City agency as the
19 Executive Director of the San Francisco Department of the Environment shall designate (the
20 "Administrator"); and, be it

21 FURTHER RESOLVED That the Administrator shall establish and publish terms and
22 conditions for City property owners to apply for Program financing and, if approved, to opt into
23 the Special Tax District, approve the levy of the special tax, and obtain such financing, and at
24 a minimum such terms and conditions shall include the following:
25

1 a. Application procedures. These procedures shall include a funding reservation
2 system along the lines of that employed by the GoSolarSF program.

3 b. Financial terms. These terms should include a clear statement of the
4 effective interest cost of a project financing as well as related costs to be paid by
5 borrower, such as application and other administrative fees.

6 c. Property eligibility criteria. These criteria shall be established as a means to
7 demonstrate the ability of the subject property to secure the repayment obligation
8 associated with the proposed retrofit project. At minimum these criteria shall include
9 some demonstration that the property's value exceeds the aggregate total of all private
10 debt secured by the property plus the principal amount of the proposed special tax
11 financing.

12 d. Project eligibility criteria. These criteria shall be established to identify
13 whether a proposed project or group of projects is of a size and character appropriate
14 in relation to the size of and approved funding source for the Program.

15 e. List of eligible improvements. The Administrator shall develop a list of
16 improvements that are eligible for Program financing. The initial list should build off of
17 the projects eligible for funding from existing state and federal grant programs, with
18 new improvements to be added upon a demonstration of numerous successful
19 applications providing cost-effective energy or water savings.

20 f. Energy and water rating requirements. In accordance with the state and
21 federal policies relative to retrofits in general and property tax lien financing programs
22 in particular, the program shall include a strategy to encourage energy and/or water
23 audits, ratings or similar systematic analysis as a prerequisite to financing approval, as
24 well as the translation of such analyses to desired outcomes in terms of the
25 implementation of energy and water efficiency retrofits. In particular this Board of

1 Supervisors endorses the concept of loading order, where cost effective energy
2 efficiency measures are pursued in advance of or in conjunction with more costly
3 renewable energy projects.

4 g. Regulatory compliance. The Administrator should develop Program terms
5 that assist in ensuring that all improvements are installed and constructed in
6 accordance with applicable laws and regulations; and be it

7 FURTHER RESOLVED, That the Administrator shall publish and file with the Clerk of
8 the Board of Supervisors an initial status report on the progress of the program not more than
9 six months from the date the Program first accepts applications, with further annual reports on
10 the Program's performance to be so published and filed on or around the anniversary of such
11 date, and such reports shall include, at a minimum:

- 12 a. Total dollar amount and number of projects financed;
13 b. A projection of future financing demand;
14 c. Program costs, including funds drawn from state or federal grant sources;
15 d. Program funding capacity under existing financial agreements;
16 e. Current list of eligible projects;
17 f. A description of emerging technologies or transaction types that appear to be
18 likely to grow in the coming year based on Program experience; and
19 Recommendations for changes to the Program legal or administrative
20 structure, if any.

1 FURTHER RESOLVED That the Administration Services Agreement between the City
2 and Renewable Funding, LLC, is hereby approved, together with such additions or changes
3 as are approved.
4

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6 APPROVED AS TO FORM:

7 DENNIS J. HERRERA
8 City Attorney

9 By: 

10 MARK D. BLAKE
11 Deputy City Attorney
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**SF SUSTAINABLE FINANCING PROGRAM
ADMINISTRATION SERVICES AGREEMENT**

THIS SF-SUSTAINABLE FINANCING PROGRAM ADMINISTRATION SERVICES AGREEMENT (this "Agreement") dated as of February 1, 2010, is entered into by and between the City & County of San Francisco, a charter city and county duly organized and existing under the laws of the State of California (the "City") and Renewable Funding, LLC (the "Administrator") (collectively City and Administrator may be referred to herein as the "Parties" and each, singly, as a "Party").

[RECITALS]

WHEREAS, the City has duly authorized the formation of, and issuance of special tax bonds by, City and County of San Francisco Special tax District No. 2009-01 (San Francisco Sustainable Financing), for the purpose of financing energy and water efficiency retrofits of privately-owned buildings within the City (the "Program"); and

WHEREAS, the City has also established terms and conditions for the administration of the Program; and

WHEREAS, the City acting through its Controller's Office of Public Finance conducted a competitive solicitation for administrative and financial partners to support the launch of the Program (the "RFP"); and

WHEREAS, the Administrator was selected as the highest ranking respondent to the RFP; and

WHEREAS, the City and Administrator are entering a bond purchase agreement (the "Bond Purchase Agreement") and a security agreement (the "Security Agreement") to evidence the parties obligations as to the financing of the Program; and

WHEREAS, the City and the Administrator now wish to establish their agreement on the performance of services relating to the development, implementation and administration of the Program;

WHEREAS, for purposes of this agreement, the term "days" shall mean calendar days unless the provision specifies "business days";

NOW, THEREFORE, in consideration of the respective agreements contained herein, the Parties hereto agree as follows,

1. Certification of Funds; Budget and Fiscal Provisions; Termination in the Event of Non-Appropriation

This Agreement is subject to the budget and fiscal provisions of the City's Charter. Charges will accrue only after prior written authorization certified by the Controller, and the amount of City's obligation hereunder shall not at any time exceed the amount certified for the purpose and period stated in such advance authorization.

This Agreement will terminate without penalty, liability or expense of any kind to City at the end of any fiscal year if funds are not appropriated or authorized for the next succeeding fiscal year. If funds are appropriated or authorized for a portion of the fiscal year, this Agreement will terminate, without penalty, liability or expense of any kind at the end of the term for which funds are appropriated.

City has no obligation to make appropriations for this Agreement in lieu of appropriations for new or other agreements. City budget decisions are subject to the discretion of the Mayor and the Board of Supervisors. Administrator's assumption of risk of possible non-appropriation is part of the consideration for this Agreement.

THIS SECTION CONTROLS AGAINST ANY AND ALL OTHER PROVISIONS OF THIS AGREEMENT.

2. Term of the Agreement; Renewal

a. Term. Subject to Section 1, the term of this Agreement shall be from the Effective Date through to December 31, 2011.

b. Renewal. The Parties expect that the Program will continue beyond the expiration date set forth in subsection (a) above. Unless either Party delivers a written notice of nonrenewal to the other Party on or before the date that is 60 days prior to the then-effective expiration date, this Agreement shall be deemed renewed for an additional two years; provided, that in no event shall the expiration date of this Agreement be extended beyond December 31, 2032.

3. Effective Date of Agreement

This Agreement shall become effective when the Controller has certified to the availability of funds and Administrator has been notified in writing.

4. Services Administrator Agrees to Perform

The Administrator agrees to perform the services provided for in Appendix A, "Description of Services," attached hereto and incorporated by reference as though fully set forth herein.

5. Compensation

Compensation shall be made as follows:

a. Program Design Services. During the time since the City entered negotiations with Administrator as the highest rated proposer under the RFP Administrator has performed the Program Design Services identified in Appendix A. In consideration for such services, and within five days after the later of (i) the date this Agreement has been duly approved by the City, or (ii) the date that all approvals are in place for the expenditure of the grant funds allocated to compensate Administrator for the Program Design Services, City shall pay Administrator the sum of \$10,000.

b. Program Implementation Services. The City and Administrator agree that Administrator will perform the Program Implementation Services identified in Appendix A prior to the opening of the Program for applications from City residents. In consideration for such services, and within five days after the date on which the Program website has been accessible by the public for at least seven consecutive days after the City has authorized Administrator to accept applications (such seventh date, the "Website Accessibility Date"), City shall pay the Administrator the sum of \$20,000.

c. Program Administrative Services.

i. Compensation. The City and Administrator agree that Administrator will perform the Program Administration Services identified in Appendix A both in respect of each application received but also in maintaining the Program as a continuing concern providing such services through the term of this Agreement and any renewals. In consideration for such services, the City agrees to fund or cause the funding of a payment to Administrator in respect of each application submitted for processing (an "Application Fee Payment"). Such payment amount shall be set initially at \$300, and may be amended by the Parties' mutual written consent. Additional administrative expenses in respect of Administrator's services in implementing the Program and each individual financing ("Additional Administrative Expenses") may also be charged to approved applications through an added capitalized expense amount funded at the time the tax lien is recorded and financing is drawn upon.

ii. Source of Funding. Application Fee Payment and Additional Administrative Expense funds are expected to be provided by the applicant. However the City may elect to fund all or a portion of these amounts for any individual or class of applicant upon written notice to the Administrator (as so identified, a "City Subsidy").

iii. Schedule of Application Fee Payment Funding.

A. For any portion of an applicant's Application Fee Payment obligation that is not subject to a City Subsidy, each Applicant shall pay such amount as a condition to further review of the Program application. All review time period commitments under the Program Terms and Conditions shall not be deemed to begin until such payment has been received by the Administrator.

B. For any portion of an applicant's Application Fee Payment that is subject to a City Application Subsidy, the shall pay the appropriate City Subsidy amount on or before the date ten business days after the later of (1) the date the Administrator provides the City with all reasonably requested documentation of the applicant's eligibility for such City Subsidy or (2) the date the Administrator notifies the City of its determination of Program eligibility for the subject application. The City hereby agrees to establish written standards for all required documentation prior to the effective date of any City Subsidy and may only modify such standards by written notice to Administrator. The Parties further agree that this section may be amended by written consent of the Administrator and the City.

iii. Schedule of Additional Administrative Expense Funding.

A. For any portion of an applicant's Additional Administrative Expense obligation that is not subject to a City Subsidy, each Applicant shall fund such amount as part of its total financing draw upon completion of the approved project. In no event shall such amount exceed 1.5% of the total project cost.

B. For any portion of an applicant's Additional Administrative Expense that is subject to a City Subsidy, the City shall pay the appropriate City Subsidy amount on or before the date ten business days after the later of (1) the date the Administrator provides the City with all reasonably requested documentation of the applicant's eligibility for such City Application Subsidy or (2) the date the Administrator notifies the City of the satisfactory completion of the approved project and the receipt of applicant's request for funding. The City hereby agrees to establish written standards for all required documentation prior to the effective date of any City Subsidy and may only modify such standards by written notice to Administrator. The Parties further agree that this section may be amended by written consent of the Administrator and the City.

d. Ancillary Administrative Services.

i. Compensation. The City and Administrator agree that Administrator will perform the Eligibility Review Services identified in Appendix A in respect of each application for a City Application Subsidy duly approved by Administrator according to the eligibility criteria established by the City. In consideration for such services, the City agrees to fund or cause the funding of a payment to Administrator in connection with each such approved application (a "Subsidy Application Fee Payment"). Such payment amount shall be set initially at \$25, and may be amended by the Parties' mutual written consent.

ii. Payment Procedures. The City and the Administrator agree that the Administrator will collect the amount of the Subsidy Application Fee Payment from each applicant in connection with the submission of his or her eligibility documentation. All review time period commitments under the Program Terms and Conditions shall not be deemed to begin until such payment has

been received by the Administrator. The Administrator shall promptly notify the City of its determination of eligibility for any application for a City Subsidy, and to provide all reasonably requested documentation supporting such determination. It is expected that the City will refund the Subsidy Application Fee Payment directly to the Applicant, but the Parties reserve the right to establish an alternate payment and reimbursement relationship by mutual written consent. The City hereby agrees to establish written standards for all required documentation prior to the effective date of any City Subsidy and may only modify such standards by written notice to Administrator.

e. Special Tax Administrative Services.

i. The City and Administrator agree that Administrator will contract for the performance of the Special Tax Administration Services identified in Appendix A. Compensation shall be provided as follows:

A. Formation Services. The total cost for preparation of the boundary map is \$2,000, which amount shall be paid by City within five days after the later of (i) the date this Agreement has been duly approved by the City, or (ii) the date that all approvals are in place for the expenditure of the grant funds allocated to compensate Administrator for such services. All other formation services shall be compensated as follows: A maximum of \$80 per residential unit will be included in each residential bond issue, and a maximum of \$1,000 will be included in each commercial bond issue until the total cumulative amount paid is \$20,000.

B. Administration Services. The total annual amount to be billed for STD administration services will be based on the following schedule and will be paid by participants or from other non-City sources:

1. \$15 per parcel for the first 300 parcels taxed, plus
2. \$11 per parcel for the next 300 parcels taxed, plus
3. \$ 7 per parcel for all additional parcels taxed after the 600th parcel

f. General Compensation Provisions.

The following provisions are applicable to all compensation under this Agreement.

i. Subject to the provisions of the following sentence, the payment obligations under this Agreement shall not exceed \$52,000 (the Maximum Contract AmountTM), plus amounts in respect of any City Subsidy or Subsidy Application Fee Payment authorized as set forth above. Such amount is subject to change based on any renewals of this agreement or amendments of the approved amount of either the Application Fee Payment or the Subsidy Application Fee Payment, but in no event will the portion of the Maximum Contract Amount identified to be paid from City funds exceed the amount has been duly appropriated or authorized by the City and certified by its Controller. As noted above, the parties may agree to provide additional compensation for these or other services from non-City sources, which may include but are not limited to available grant funds and applicant fees.

ii. No charges shall be incurred under this Agreement nor shall any payments become due to Administrator until reports, services, or both, required under this Agreement are received from Administrator and approved by the City as being in accordance with this Agreement. City may withhold payment to Administrator in any instance in which Administrator has failed or refused to satisfy any material obligation provided for under this Agreement.

iii. In no event shall City be liable for interest or late charges for any late payments.

iv. The Controller is not authorized to pay invoices submitted by Administrator prior to Administrator's submission of HRC Form 7, "Prime Consultant/Joint Venture Partner(s) and Sub-consultant Participation Report." If HRC Form 7 is not submitted with Administrator's invoice, the Controller will notify the department, the Director of HRC and Administrator of the omission. If Administrator's failure to provide HRC Form 7 is not explained to the Controller's satisfaction, the Controller will withhold 20% of the payment due pursuant to that invoice until HRC Form 7 is provided.

v. Following City's payment of an invoice, Administrator has ten days to file an affidavit using HRC Form 9, "Sub-Consultant Payment Affidavit," verifying that all subcontractors have been paid and specifying the amount.

6. Guaranteed Maximum Costs

a. The City's obligation hereunder shall not at any time exceed the amount certified by the Controller for the purpose and period stated in such certification.

b. Except as may be provided by laws governing emergency procedures, officers and employees of the City are not authorized to request, and the City is not required to reimburse the Administrator for, Commodities or Services beyond the agreed upon contract scope unless the changed scope is authorized by amendment and approved as required by law.

c. Officers and employees of the City are not authorized to offer or promise, nor is the City required to honor, any offered or promised additional funding in excess of the maximum amount of funding for which the contract is certified without certification of the additional amount by the Controller.

d. The Controller is not authorized to make payments on any contract for which funds have not been certified as available in the budget or by supplemental appropriation.

7. Payment; Invoice Format

Invoices furnished by Administrator under this Agreement must be in a form acceptable to the Controller, and must include the Contract Progress Payment Authorization number. All amounts paid by City to Administrator shall be subject to audit by City.

Payment shall be made by City to Administrator at the address specified in the section entitled "Notices to the Parties."

8. Submitting False Claims; Monetary Penalties

Pursuant to San Francisco Administrative Code §21.35, any Administrator, subcontractor or consultant who submits a false claim shall be liable to the City for three times the amount of damages which the City sustains because of the false claim. A contractor, subcontractor or consultant who submits a false claim shall also be liable to the City for the costs, including attorneys' fees, of a civil action brought to recover any of those penalties or damages, and may be liable to the City for a civil penalty of up to \$10,000 for each false claim. A contractor, subcontractor or consultant will be deemed to have submitted a false claim to the City if the contractor, subcontractor or consultant: (a) knowingly presents or causes to be presented to an officer or employee of the City a false claim or request for payment or approval; (b) knowingly makes, uses, or causes to be made or used a false record or statement to get a false claim paid or approved by the City; (c) conspires to defraud the City by getting a false claim allowed or paid by the City; (d) knowingly makes, uses, or causes to be made or used a false record or statement to conceal, avoid, or decrease an obligation to pay or transmit money or property to the City; or (e) is a beneficiary of an inadvertent submission of a false claim to the City, subsequently discovers the falsity of the claim, and fails to disclose the false claim to the City within a reasonable time after discovery of the false claim.

9. Disallowance

If Administrator claims or receives payment from City for a service, reimbursement for which is later disallowed by the State of California or United States Government, Administrator shall promptly refund the disallowed amount to City upon City's request. At its option, City may offset the amount disallowed from any payment due or to become due to Administrator under this Agreement or any other Agreement.

By executing this Agreement, Administrator certifies that Administrator is not suspended, debarred or otherwise excluded from participation in federal assistance programs. Administrator acknowledges that this certification of eligibility to receive federal funds is a material terms of the Agreement.

10. Taxes

a. Payment of any taxes, including possessory interest taxes and California sales and use taxes, levied upon or as a result of this Agreement, or the services delivered pursuant hereto, shall be the obligation of Administrator.

b. Administrator recognizes and understands that this Agreement may create a "possessory interest" for property tax purposes. Generally, such a possessory interest is not created unless the Agreement entitles the Administrator to possession, occupancy, or use of City property for private gain. If such a possessory interest is created, then the following shall apply:

i. Administrator, on behalf of itself and any permitted successors and assigns, recognizes and understands that Administrator, and any permitted successors and assigns, may be subject to real property tax assessments on the possessory interest;

ii. Administrator, on behalf of itself and any permitted successors and assigns, recognizes and understands that the creation, extension, renewal, or assignment of this Agreement may result in a "change in ownership" for purposes of real property taxes, and therefore may result in a revaluation of any possessory interest created by this Agreement. Administrator accordingly agrees on behalf of itself and its permitted successors and assigns to report on behalf of the City to the County Assessor the information required by Revenue and Taxation Code section 480.5, as amended from time to time, and any successor provision.

iii. Administrator, on behalf of itself and any permitted successors and assigns, recognizes and understands that other events also may cause a change of ownership of the possessory interest and result in the revaluation of the possessory interest. (see, e.g., Rev. & Tax. Code section 64, as amended from time to time). Administrator accordingly agrees on behalf of itself and its permitted successors and assigns to report any change in ownership to the County Assessor, the State Board of Equalization or other public agency as required by law.

iv. Administrator further agrees to provide such other information as may be requested by the City to enable the City to comply with any reporting requirements for possessory interests that are imposed by applicable law.

11. Payment Does Not Imply Acceptance of Work

The granting of any payment by City, or the receipt thereof by Administrator, shall in no way lessen the liability of Administrator to replace unsatisfactory work, equipment, or materials, although the unsatisfactory character of such work, equipment or materials may not have been apparent or detected at the time such payment was made. Materials, equipment, components, or workmanship that do not conform to the requirements of this Agreement may be rejected by City and in such case must be replaced by Administrator without delay.

12. Qualified Personnel

Work under this Agreement shall be performed only by competent personnel under the supervision of and in the employment of Administrator. Administrator will comply with City's reasonable requests regarding assignment of personnel, but all personnel, including those assigned at City's request, must be supervised by Administrator. Administrator shall commit adequate resources to complete the project within the project schedule specified in this Agreement.

13. Responsibility for Equipment

City shall not be responsible for any damage to persons or property as a result of the use, misuse or failure of any equipment used by Administrator, or by any of its employees, even though such equipment be furnished, rented or loaned to Administrator by City.

14. Independent Administrator; Payment of Taxes and Other Expenses

a. Independent Administrator. Administrator or any agent or employee of Administrator shall be deemed at all times to be an independent contractor and is wholly responsible for the manner in which it performs the services and work requested by City under this Agreement. Administrator or any agent or employee of Administrator shall not have employee status with City, nor be entitled to participate in any plans, arrangements, or distributions by City pertaining to or in connection with any retirement, health or other benefits that City may offer its employees. Administrator or any agent or employee of Administrator is liable for the acts and omissions of itself, its employees and its agents. Administrator shall be responsible for all obligations and payments, whether imposed by federal, state or local law, including, but not limited to, FICA, income tax withholdings, unemployment compensation, insurance, and other similar responsibilities related to Administrator's performing services and work, or any agent or employee of Administrator providing same. Nothing in this Agreement shall be construed as creating an employment or agency relationship between City and Administrator or any agent or employee of Administrator. Any terms in this Agreement referring to direction from City shall be construed as providing for direction as to policy and the result of Administrator's work only, and not as to the means by which such a result is obtained. City does not retain the right to control the means or the method by which Administrator performs work under this Agreement.

b. Payment of Taxes and Other Expenses. Should City, in its discretion, or a relevant taxing authority such as the Internal Revenue Service or the State Employment Development Division, or both, determine that Administrator is an employee for purposes of collection of any employment taxes, the amounts payable under this Agreement shall be reduced by amounts equal to both the employee and employer portions of the tax due (and offsetting any credits for amounts already paid by Administrator which can be applied against this liability). City shall then forward those amounts to the relevant taxing authority.

Should a relevant taxing authority determine a liability for past services performed by Administrator for City, upon notification of such fact by City, Administrator shall promptly remit such amount due or arrange with City to have the amount due withheld from future payments to Administrator under this Agreement (again, offsetting any amounts already paid by Administrator which can be applied as a credit against such liability).

A determination of employment status pursuant to the preceding two paragraphs shall be solely for the purposes of the particular tax in question, and for all other purposes of this Agreement, Administrator shall not be considered an employee of City. Notwithstanding the foregoing, should any court, arbitrator, or administrative authority determine that Administrator is an employee for any other purpose, then Administrator agrees to a reduction in City's financial liability so that City's total expenses under this Agreement are not greater than they would have been had the court, arbitrator, or administrative authority determined that Administrator was not an employee.

15. Insurance

a. Amounts and Coverages. Without in any way limiting Administrator's liability pursuant to the "Indemnification" section of this Agreement, Administrator must maintain in force, during the full term of the Agreement, insurance in the following amounts and coverages:

i. Workers' Compensation, in statutory amounts, with Employers' Liability Limits not less than \$1,000,000 each accident; and

ii. Commercial General Liability Insurance with limits not less than \$1,000,000 each occurrence Combined Single Limit for Bodily Injury and Property Damage, including Contractual Liability, Personal Injury, Products and Completed Operations; and

iii. Commercial Automobile Liability Insurance with limits not less than \$1,000,000 each occurrence Combined Single Limit for Bodily Injury and Property Damage, including Owned, Non-Owned and Hired auto coverage, as applicable.

iv. Professional liability insurance with limits not less than \$1,000,000 each claim with respect to negligent acts, errors or omissions in connection with professional services to be provided under this Agreement.

b. Required Provisions. Commercial General Liability and Commercial Automobile Liability Insurance policies must provide the following:

i. Name as Additional Insured the City and County of San Francisco, its Officers, Agents, and Employees. To satisfy this requirement, Administrator shall submit an additional insured endorsement in the form of ISO 2010 (11/85) or its equivalent.

ii. That such policies are primary insurance to any other insurance available to the Additional Insureds, with respect to any claims arising out of this Agreement, and that insurance applies separately to each insured against whom claim is made or suit is brought.

c. Notice of Cancellation. All policies shall provide thirty days' advance written notice to City of cancellation mailed to the following address:

[City notice address]

d. Maintenance of Coverage. Should any of the required insurance be provided under a claims-made form, Administrator shall maintain such coverage continuously throughout the term of this Agreement and, without lapse, for a period of three years beyond the expiration of this Agreement, to the effect that, should occurrences during the contract term give rise to claims made after expiration of the Agreement, such claims shall be covered by such claims-made policies.

e. Aggregate Limits. Should any of the required insurance be provided under a form of coverage that includes a general annual aggregate limit or provides that claims investigation or legal defense costs be included in such general annual aggregate limit, such general annual aggregate limit shall be double the occurrence or claims limits specified above.

f. Lapse of Required Insurance. Should any required insurance lapse during the term of this Agreement, requests for payments originating after such lapse shall not be processed until the City receives satisfactory evidence of reinstated coverage as required by this Agreement, effective as of the lapse date. If insurance is not reinstated, the City may, at its sole option, terminate this Agreement effective on the date of such lapse of insurance.

g. Required Documentation. On or before the Effective Date, the Administrator shall do the following: (a) furnish to City certificates of insurance and additional insured policy endorsements with insurers with ratings comparable to A- or higher, that are authorized to do business in the State of California, and that are satisfactory to City, in form evidencing all coverages set forth above, and (b)

furnish complete copies of policies promptly upon City request. Failure to maintain insurance shall constitute a material breach of this Agreement.

h. No Effect on Liability. Approval of the insurance by City shall not relieve or decrease the liability of Administrator hereunder.

16. Indemnification

Administrator shall indemnify and save harmless City and its officers, agents and employees from, and, if requested, shall defend them against any and all loss, cost, damage, injury, liability, and claims thereof for injury to or death of a person, including employees of Administrator or loss of or damage to property, arising directly or indirectly from Administrator's performance of this Agreement, including, but not limited to, Administrator's use of facilities or equipment provided by City or others, regardless of the negligence of, and regardless of whether liability without fault is imposed or sought to be imposed on City, except to the extent that such indemnity is void or otherwise unenforceable under applicable law in effect on or validly retroactive to the date of this Agreement, and except where such loss, damage, injury, liability or claim is the result of the active negligence or willful misconduct of City and is not contributed to by any act of, or by any omission to perform some duty imposed by law or agreement on, Administrator, its subcontractors or either's agent or employee. The foregoing indemnity shall include, without limitation, reasonable fees of attorneys, consultants and experts and related costs and City's costs of investigating any claims against the City.

In addition to Administrator's obligation to indemnify City, Administrator specifically acknowledges and agrees that it has an immediate and independent obligation to defend City from any claim which actually or potentially falls within this indemnification provision, even if the allegations are or may be groundless, false or fraudulent, which obligation arises at the time such claim is tendered to Administrator by City and continues at all times thereafter.

Administrator shall indemnify and hold City harmless from all loss and liability, including attorneys' fees, court costs and all other litigation expenses for any infringement of the patent rights, copyright, trade secret or any other proprietary right or trademark, and all other intellectual property claims of any person or persons in consequence of the use by City, or any of its officers or agents, of articles or services to be supplied in the performance of this Agreement.

17. Incidental and Consequential Damages

Administrator shall be responsible for incidental and consequential damages resulting in whole or in part from Administrator's acts or omissions. Nothing in this Agreement shall constitute a waiver or limitation of any rights that City may have under applicable law.

18. Liability of City

CITY'S PAYMENT OBLIGATIONS UNDER THIS AGREEMENT SHALL BE LIMITED TO THE PAYMENT OF THE COMPENSATION PROVIDED FOR IN SECTION 5 OF THIS AGREEMENT. NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, IN NO EVENT SHALL CITY BE LIABLE, REGARDLESS OF WHETHER ANY CLAIM IS BASED ON CONTRACT OR TORT, FOR ANY SPECIAL, CONSEQUENTIAL, INDIRECT OR INCIDENTAL DAMAGES, INCLUDING, BUT NOT LIMITED TO, LOST PROFITS, ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR THE SERVICES PERFORMED IN CONNECTION WITH THIS AGREEMENT.

19. Liquidated Damages

By entering into this Agreement, Administrator agrees that in the event the Program Implementation Services, as provided under Section 4.b herein, are delayed such that the Website Accessibility Date has not occurred on or before the date that is 90 days after the City has issued written direction to Administrator to

begin accepting applications (the "Website Accessibility Deadline"), City will suffer actual damages in terms of unproductive staff time and other expenses that will be impractical or extremely difficult to determine; further, Administrator agrees that the sum of \$200 per day for each day of delay beyond the Website Accessibility Deadline is not a penalty, but is a reasonable estimate of the loss that City will incur based on the delay, established in light of the circumstances existing at the time this contract was awarded. City may deduct a sum representing the liquidated damages from any money due to Administrator for the Program Implementation Services if and when the Website Accessibility Deadline is reached. Such deductions shall not be considered a penalty, but rather agreed monetary damages sustained by City because of Administrator's failure to deliver to City within the time fixed or such extensions of time permitted in writing by the City.

20. Default; Remedies

a. Events of Default. Each of the following shall constitute an event of default ("Event of Default") under this Agreement:

i. Administrator fails or refuses to perform or observe any term, covenant or condition contained in any of the following Sections of this Agreement: 8, 10, 15, 24, 30, 37, 53, 55, or 58.

ii. Administrator fails or refuses to perform or observe any other term, covenant or condition contained in this Agreement, and such default continues for a period of ten days after written notice thereof from City to Administrator.

iii. Administrator fails or refuses to perform or observe any other term, covenant or condition contained in the Bond Purchase Agreement or the Security Agreement, and such default continues for a period of ten days after written notice thereof from City to Administrator.

iv. Administrator (A) is generally not paying its debts as they become due, (B) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy, insolvency or other debtors' relief law of any jurisdiction, (C) makes an assignment for the benefit of its creditors, (D) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers of Administrator or of any substantial part of Administrator's property or (E) takes action for the purpose of any of the foregoing.

v. A court or government authority enters an order (A) appointing a custodian, receiver, trustee or other officer with similar powers with respect to Administrator or with respect to any substantial part of Administrator's property, (B) constituting an order for relief or approving a petition for relief or reorganization or arrangement or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy, insolvency or other debtors' relief law of any jurisdiction or (C) ordering the dissolution, winding-up or liquidation of Administrator.

b. Remedies. On and after any Event of Default, City shall have the right to exercise its legal and equitable remedies, including, without limitation, the right to terminate this Agreement or to seek specific performance of all or any part of this Agreement. In addition, upon Administrator's failure to cure a default after notice from City, City shall have the right (but no obligation) to cure (or cause to be cured) on behalf of Administrator any Event of Default; Administrator shall pay to City on demand all costs and expenses incurred by City in effecting such cure, with interest thereon from the date of incurrence at the maximum rate then permitted by law. City shall have the right to offset from any amounts due to Administrator under this Agreement or any other agreement between City and Administrator all damages, losses, costs or expenses incurred by City as a result of such Event of Default and any liquidated damages due from Administrator pursuant to the terms of this Agreement or any other agreement.

c. Exercise of Remedies. All remedies provided for in this Agreement may be exercised individually or in combination with any other remedy available hereunder or under applicable laws, rules

and regulations. The exercise of any remedy shall not preclude or in any way be deemed to waive any other remedy.

21. Termination for Convenience

a. Exercise. City shall have the option, in its sole discretion, to terminate this Agreement, at any time during the term hereof, for convenience and without cause. City shall exercise this option by giving Administrator written notice of termination. The notice shall specify the date on which termination shall become effective.

b. Administrator Obligations. Upon receipt of the notice, Administrator shall commence and perform, with diligence, all actions necessary on the part of Administrator to effect the termination of this Agreement on the date specified by City and to minimize the liability of Administrator and City to third parties as a result of termination. All such actions shall be subject to the prior approval of City. Such actions shall include, without limitation:

i. Halting the performance of all services and other work under this Agreement on the date(s) and in the manner specified by City.

ii. Not placing any further orders or subcontracts for materials, services, equipment or other items.

iii. Terminating all existing orders and subcontracts.

iv. At City's direction, assigning to City any or all of Administrator's right, title, and interest under the orders and subcontracts terminated. Upon such assignment, City shall have the right, in its sole discretion, to settle or pay any or all claims arising out of the termination of such orders and subcontracts.

v. Subject to City's approval, settling all outstanding liabilities and all claims arising out of the termination of orders and subcontracts.

vi. Completing performance of any services or work that City designates to be completed prior to the date of termination specified by City.

vii. Taking such action as may be necessary, or as the City may direct, for the protection and preservation of any property related to this Agreement which is in the possession of Administrator and in which City has or may acquire an interest.

c. City Obligations. Within 30 days after the specified termination date, Administrator shall submit to City an invoice, which shall set forth each of the following as a separate line item:

i. The reasonable cost to Administrator, without profit, for all services and other work City directed Administrator to perform prior to the specified termination date, for which services or work City has not already tendered payment. Reasonable costs may include a reasonable allowance for actual overhead, not to exceed a total of 10% of Administrator's direct costs for services or other work. Any overhead allowance shall be separately itemized. Administrator may also recover the reasonable cost of preparing the invoice.

ii. A reasonable allowance for profit on the cost of the services and other work described in the immediately preceding subsection (1), provided that Administrator can establish, to the satisfaction of City, that Administrator would have made a profit had all services and other work under this Agreement been completed, and provided further, that the profit allowed shall in no event exceed 5% of such cost.

iii. The reasonable cost to Administrator of handling material or equipment returned to the vendor, delivered to the City or otherwise disposed of as directed by the City.

iv. A deduction for the cost of materials to be retained by Administrator, amounts realized from the sale of materials and not otherwise recovered by or credited to City, and any other appropriate credits to City against the cost of the services or other work.

d. In no event shall City be liable for costs incurred by Administrator or any of its subcontractors after the termination date specified by City, except for those costs specifically enumerated and described in the immediately preceding subsection (c). Such non-recoverable costs include, but are not limited to, anticipated profits on this Agreement, post-termination employee salaries, post-termination administrative expenses, post-termination overhead or unabsorbed overhead, attorneys' fees or other costs relating to the prosecution of a claim or lawsuit, prejudgment interest, or any other expense which is not reasonable or authorized under such subsection (c).

e. In arriving at the amount due to Administrator under this Section, City may deduct: (1) all payments previously made by City for work or other services covered by Administrator's final invoice; (2) any claim which City may have against Administrator in connection with this Agreement; (3) any invoiced costs or expenses excluded pursuant to the immediately preceding subsection (d); and (4) in instances in which, in the opinion of the City, the cost of any service or other work performed under this Agreement is excessively high due to costs incurred to remedy or replace defective or rejected services or other work, the difference between the invoiced amount and City's estimate of the reasonable cost of performing the invoiced services or other work in compliance with the requirements of this Agreement.

f. City's payment obligation under this Section shall survive termination of this Agreement.

22. Rights and Duties Upon Termination or Expiration

a. Survival of Obligations. This Section and the following Sections of this Agreement shall survive termination or expiration of this Agreement: 8 through 11, 13 through 18, 24, 26, 27, 28, 48 through 52, 56, and 57. Section 5.e shall also survive termination or expiration, but only for such additional time as is necessary for the City to exercise good faith efforts to identify a replacement service provider.

b. Duties upon Termination. Subject to the immediately preceding subsection (a), upon termination of this Agreement prior to expiration of the term specified in Section 2, this Agreement shall terminate and be of no further force or effect. Administrator shall transfer title to City, and deliver in the manner, at the times, and to the extent, if any, directed by City, any work in progress, completed work, supplies, equipment, and other materials produced as a part of, or acquired in connection with the performance of this Agreement, and any completed or partially completed work which, if this Agreement had been completed, would have been required to be furnished to City. This subsection shall survive termination of this Agreement.

23. Conflict of Interest

Through its execution of this Agreement, Administrator acknowledges that it is familiar with the provision of Section 15.103 of the City's Charter, Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and Section 87100 et seq. and Section 1090 et seq. of the Government Code of the State of California, and certifies that it does not know of any facts which constitutes a violation of said provisions and agrees that it will immediately notify the City if it becomes aware of any such fact during the term of this Agreement.

24. Proprietary or Confidential Information of City

Administrator understands and agrees that, in the performance of the work or services under this Agreement or in contemplation thereof, Administrator may have access to private or confidential information which may be owned or controlled by City and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to City. Administrator

agrees that all information disclosed by City to Administrator shall be held in confidence and used only in performance of the Agreement. Administrator shall exercise the same standard of care to protect such information as a reasonably prudent Administrator would use to protect its own proprietary data.

25. Notices to the Parties

Unless otherwise indicated elsewhere in this Agreement, all written communications sent by the parties may be by U.S. mail, e-mail or by fax, and shall be addressed as follows:

To City:

[insert City address]

To Administrator:

[insert Administrator address]

Any notice of default must be sent by registered mail.

26. Ownership of Results

Any interest of Administrator or its subcontractors, in drawings, plans, specifications, blueprints, studies, reports, memoranda, computation sheets, computer files and media or other documents prepared by Administrator or its subcontractors in connection with services to be performed under this Agreement, shall become the property of and will be transmitted to City. However, Administrator may retain and use copies for reference and as documentation of its experience and capabilities.

27. Works for Hire

If, in connection with services performed under this Agreement, Administrator or its subcontractors create artwork, copy, posters, billboards, photographs, videotapes, audiotapes, systems designs, software, reports, diagrams, surveys, blueprints, source codes or any other original works of authorship, such works of authorship shall be works for hire as defined under Title 17 of the United States Code, and all copyrights in such works are the property of the City. If it is ever determined that any works created by Administrator or its subcontractors under this Agreement are not works for hire under U.S. law, Administrator hereby assigns all copyrights to such works to the City, and agrees to provide any material and execute any documents necessary to effectuate such assignment. With the approval of the City, Administrator may retain and use copies of such works for reference and as documentation of its experience and capabilities.

28. Audit and Inspection of Records

Administrator agrees to maintain and make available to the City, during regular business hours, accurate books and accounting records relating to its work under this Agreement. Administrator will permit City to audit, examine and make excerpts and transcripts from such books and records, and to make audits of all invoices, materials, payrolls, records or personnel and other data related to all other matters covered by this Agreement, whether funded in whole or in part under this Agreement. Administrator shall maintain such data and records in an accessible location and condition for a period of not less than three years after final payment under this Agreement or until after final audit has been resolved, whichever is later. The State of California or any federal agency having an interest in the subject matter of this Agreement shall have the same rights conferred upon City by this Section. Administrator and City agree to develop policies as to the appropriate scope and form of the records to be kept, particularly in relation to information provided by applicants.

29. Subcontracting

Administrator is prohibited from subcontracting this Agreement or any part of it unless such subcontracting is first approved by City in writing. Neither party shall, on the basis of this Agreement, contract on behalf of or in the name of the other party. An agreement made in violation of this provision shall confer no rights on any party and shall be null and void.

30. Assignment

The services to be performed by Administrator are personal in character and neither this Agreement nor any duties or obligations hereunder may be assigned or delegated by the Administrator unless first approved by City by written instrument executed and approved in the same manner as this Agreement.

31. Non-Waiver of Rights

The omission by either party at any time to enforce any default or right reserved to it, or to require performance of any of the terms, covenants, or provisions hereof by the other party at the time designated, shall not be a waiver of any such default or right to which the party is entitled, nor shall it in any way affect the right of the party to enforce such provisions thereafter.

32. Earned Income Credit (EIC) Forms

Administrative Code section 12O requires that employers provide their employees with IRS Form W-5 (The Earned Income Credit Advance Payment Certificate) and the IRS EIC Schedule, as set forth below. Employers can locate these forms at the IRS Office, on the Internet, or anywhere that Federal Tax Forms can be found.

a. Administrator shall provide EIC Forms to each Eligible Employee at each of the following times: (i) within thirty days following the date on which this Agreement becomes effective (unless Administrator has already provided such EIC Forms at least once during the calendar year in which such effective date falls); (ii) promptly after any Eligible Employee is hired by Administrator; and (iii) annually between January 1 and January 31 of each calendar year during the term of this Agreement.

b. Failure to comply with any requirement contained in subparagraph (a) of this Section shall constitute a material breach by Administrator of the terms of this Agreement. If, within thirty days after Administrator receives written notice of such a breach, Administrator fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty days, Administrator fails to commence efforts to cure within such period or thereafter fails to diligently pursue such cure to completion, the City may pursue any rights or remedies available under this Agreement or under applicable law.

c. Any Subcontract entered into by Administrator shall require the subcontractor to comply, as to the subcontractor's Eligible Employees, with each of the terms of this section.

d. Capitalized terms used in this Section and not defined in this Agreement shall have the meanings assigned to such terms in Section 12O of the San Francisco Administrative Code.

33. Disadvantaged Business Enterprise Utilization; Liquidated Damages Damages

[Reserved.]

34. Nondiscrimination; Penalties

a. Administrator Shall Not Discriminate. In the performance of this Agreement, Administrator agrees not to discriminate against any employee, City and County employee working with such Administrator or subcontractor, applicant for employment with such Administrator or subcontractor, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation,

gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

b. Subcontracts. Administrator shall incorporate by reference in all subcontracts the provisions of §§12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code (copies of which are available from Purchasing) and shall require all subcontractors to comply with such provisions. Administrator's failure to comply with the obligations in this subsection shall constitute a material breach of this Agreement.

c. Nondiscrimination in Benefits. Administrator does not as of the date of this Agreement and will not during the term of this Agreement, in any of its operations in San Francisco, on real property owned by San Francisco, or where work is being performed for the City elsewhere in the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in §12B.2(b) of the San Francisco Administrative Code.

d. Condition to Contract. As a condition to this Agreement, Administrator shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (form HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission.

e. Incorporation of Administrative Code Provisions by Reference. The provisions of Chapters 12B and 12C of the San Francisco Administrative Code are incorporated in this Section by reference and made a part of this Agreement as though fully set forth herein. Administrator shall comply fully with and be bound by all of the provisions that apply to this Agreement under such Chapters, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, Administrator understands that pursuant to §12B.2(h) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Agreement may be assessed against Administrator and/or deducted from any payments due Administrator.

35. MacBride Principles—Northern Ireland

Pursuant to San Francisco Administrative Code §12F.5, the City and County of San Francisco urges companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles. The City and County of San Francisco urges San Francisco companies to do business with corporations that abide by the MacBride Principles. By signing below, the person executing this agreement on behalf of Administrator acknowledges and agrees that he or she has read and understood this section.

36. Tropical Hardwood and Virgin Redwood Ban

Pursuant to §804(b) of the San Francisco Environment Code, the City and County of San Francisco urges Administrators not to import, purchase, obtain, or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product.

37. Drug-Free Workplace Policy

Administrator acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited on City premises. Administrator agrees that any violation of this prohibition by Administrator, its employees, agents or assigns will be deemed a material breach of this Agreement.

38. Resource Conservation

Chapter 5 of the San Francisco Environment Code ("Resource Conservation") is incorporated herein by reference. Failure by Administrator to comply with any of the applicable requirements of Chapter 5 will be deemed a material breach of contract.

39. Compliance with Americans with Disabilities Act

Administrator acknowledges that, pursuant to the Americans with Disabilities Act (ADA), programs, services and other activities provided by a public entity to the public, whether directly or through a Administrator, must be accessible to the disabled public. Administrator shall provide the services specified in this Agreement in a manner that complies with the ADA and any and all other applicable federal, state and local disability rights legislation. Administrator agrees not to discriminate against disabled persons in the provision of services, benefits or activities provided under this Agreement and further agrees that any violation of this prohibition on the part of Administrator, its employees, agents or assigns will constitute a material breach of this Agreement.

40. Sunshine Ordinance

In accordance with San Francisco Administrative Code §67.24(e), contracts, Administrators' bids, responses to solicitations and all other records of communications between City and persons or firms seeking contracts, shall be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person or organization's net worth or other proprietary financial data submitted for qualification for a contract or other benefit until and unless that person or organization is awarded the contract or benefit. Information provided which is covered by this paragraph will be made available to the public upon request.

41. Public Access to Meetings and Records

If the Administrator receives a cumulative total per year of at least \$250,000 in City funds or City-administered funds and is a non-profit organization as defined in Chapter 12L of the San Francisco Administrative Code, Administrator shall comply with and be bound by all the applicable provisions of that Chapter. By executing this Agreement, the Administrator agrees to open its meetings and records to the public in the manner set forth in §§12L.4 and 12L.5 of the Administrative Code. Administrator further agrees to make-good faith efforts to promote community membership on its Board of Directors in the manner set forth in §12L.6 of the Administrative Code. The Administrator acknowledges that its material failure to comply with any of the provisions of this paragraph shall constitute a material breach of this Agreement. The Administrator further acknowledges that such material breach of the Agreement shall be grounds for the City to terminate and/or not renew the Agreement, partially or in its entirety.

42. Limitations on Contributions

Through execution of this Agreement, Administrator acknowledges that it is familiar with section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the rendition of personal services or for the furnishing of any material, supplies or equipment to the City, whenever such transaction would require approval by a City elective officer of the board on which that City elective officer serves, from making any campaign contribution to the officer at any time from the commencement of negotiations for the contract until the later of either (1) the termination of negotiations for such contract or (2) three months after the date the contract is approved by the City elective officer or the board on which that City elective officer serves.

43. Requiring Minimum Compensation for Covered Employees

Administrator agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance (MCO), as set forth in San Francisco Administrative Code Chapter 12P (Chapter

12P), including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 12P are incorporated herein by reference and made a part of this Agreement as though fully set forth. The text of the MCO is available on the web at <http://www.sfgov.org/oca/lwlh.htm>. Capitalized terms used in this Section and not defined in this Agreement shall have the meanings assigned to such terms in Chapter 12P. Consistent with the requirements of the MCO, Administrator agrees to all of the following:

a. For each hour worked by a Covered Employee during a Pay Period on work funded under the City contract during the term of this Agreement, Administrator shall provide to the Covered Employee no less than the Minimum Compensation, which includes a minimum hourly wage and compensated and uncompensated time off consistent with the requirements of the MCO. For the hourly gross compensation portion of the MCO, Administrator shall pay a minimum of \$10.77 an hour beginning January 1, 2005 and for the remainder of the term of this Agreement; provided, however, that Administrators that are Nonprofit Corporations or public entities shall pay a minimum of \$9 an hour for the term of this Agreement.

b. Administrator shall not discharge, reduce in compensation, or otherwise discriminate against any employee for complaining to the City with regard to Administrator's compliance or anticipated compliance with the requirements of the MCO, for opposing any practice proscribed by the MCO, for participating in proceedings related to the MCO, or for seeking to assert or enforce any rights under the MCO by any lawful means.

c. Administrator understands and agrees that the failure to comply with the requirements of the MCO shall constitute a material breach by Administrator of the terms of this Agreement. The City, acting through the Contracting Department, shall determine whether such a breach has occurred.

d. If, within 30 days after receiving written notice of a breach of this Agreement for violating the MCO, Administrator fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, Administrator fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City, acting through the Contracting Department, shall have the right to pursue the following rights or remedies and any rights or remedies available under applicable law:

i. The right to charge Administrator an amount equal to the difference between the Minimum Compensation and any compensation actually provided to a Covered Employee, together with interest on such amount from the date payment was due at the maximum rate then permitted by law;

ii. The right to set off all or any portion of the amount described in Subsection (d)(1) of this Section against amounts due to Administrator under this Agreement;

iii. The right to terminate this Agreement in whole or in part;

iv. In the event of a breach by Administrator of the covenant referred to in Subsection (b) of this Section, the right to seek reinstatement of the employee or to obtain other appropriate equitable relief; and

v. The right to bar Administrator from entering into future contracts with the City for three years.

Each of the rights provided in this Subsection (d) shall be exercisable individually or in combination with any other rights or remedies available to the City. Any amounts realized by the City pursuant to this subsection shall be paid to the Covered Employee who failed to receive the required Minimum Compensation.

e. Administrator represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the MCO.

f. Administrator shall keep itself informed of the current requirements of the MCO, including increases to the hourly gross compensation due Covered Employees under the MCO, and shall provide prompt written notice to all Covered Employees of any increases in compensation, as well as any written communications received by the Administrator from the City, which communications are marked to indicate that they are to be distributed to Covered Employees.

g. Administrator shall provide reports to the City in accordance with any reporting standards promulgated by the City under the MCO, including reports on subcontractors.

h. The Administrator shall provide the City with access to pertinent records after receiving a written request from the City to do so and being provided at least five (5) business days to respond.

i. The City may conduct random audits of Administrator. Random audits shall be (i) noticed in advance in writing; (ii) limited to ascertaining whether Covered Employees are paid at least the minimum compensation required by the MCO; (iii) accomplished through an examination of pertinent records at a mutually agreed upon time and location within ten days of the written notice; and (iv) limited to one audit of Administrator every two years for the duration of this Agreement. Nothing in this Agreement is intended to preclude the City from investigating any report of an alleged violation of the MCO.

j. Any subcontract entered into by Administrator shall require the subcontractor to comply with the requirements of the MCO and shall contain contractual obligations substantially the same as those set forth in this Section. A subcontract means an agreement between the Administrator and a third party which requires the third party to perform all or a portion of the services covered by this Agreement. Administrator shall notify the Department of Administrative Services when it enters into such a subcontract and shall certify to the Department of Administrative Services that it has notified the subcontractor of the obligations under the MCO and has imposed the requirements of the MCO on the subcontractor through the provisions of the subcontract. It is Administrator's obligation to ensure that any subcontractors of any tier under this Agreement comply with the requirements of the MCO. If any subcontractor under this Agreement fails to comply, City may pursue any of the remedies set forth in this Section against Administrator.

k. Each Covered Employee is a third-party beneficiary with respect to the requirements of subsections (a) and (b) of this Section, and may pursue the following remedies in the event of a breach by Administrator of subsections (a) and (b), but only after the Covered Employee has provided the notice, participated in the administrative review hearing, and waited the 21-day period required by the MCO. Administrator understands and agrees that if the Covered Employee prevails in such action, the Covered Employee may be awarded: (i) an amount equal to the difference between the Minimum Compensation and any compensation actually provided to the Covered Employee, together with interest on such amount from the date payment was due at the maximum rate then permitted by law; (ii) in the event of a breach by Administrator of subsections (a) or (b), the right to seek reinstatement or to obtain other appropriate equitable relief; and (iii) in the event that the Covered Employee is the prevailing party in any legal action or proceeding against Administrator arising from this Agreement, the right to obtain all costs and expenses, including reasonable attorney's fees and disbursements, incurred by the Covered Employee. Administrator also understands that the MCO provides that if Administrator prevails in any such action, Administrator may be awarded costs and expenses, including reasonable attorney's fees and disbursements, from the Covered Employee if the court determines that the Covered Employee's action was frivolous, vexatious or otherwise an act of bad faith.

l. If Administrator is exempt from the MCO when this Agreement is executed because the cumulative amount of agreements with this department for the fiscal year is less than \$25,000 (\$50,000 for nonprofits), but Administrator later enters into an agreement or agreements that cause Administrator to exceed that amount in a fiscal year, Administrator shall thereafter be required to comply with the MCO under this Agreement. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Administrator and this department to exceed \$25,000 (\$50,000 for nonprofits) in the fiscal year.

44. Requiring Health Benefits for Covered Employees

[Reserved.]

45. First Source Hiring Program

a. Incorporation of Administrative Code Provisions by Reference. The provisions of Chapter 83 of the San Francisco Administrative Code are incorporated in this Section by reference and made a part of this Agreement as though fully set forth herein. Administrator shall comply fully with, and be bound by, all of the provisions that apply to this Agreement under such Chapter, including but not limited to the remedies provided therein. Capitalized terms used in this Section and not defined in this Agreement shall have the meanings assigned to such terms in Chapter 83.

b. First Source Hiring Agreement.

i. Administrator will comply with First Source interviewing, recruitment and hiring requirements, which will provide the San Francisco Workforce Development System with the exclusive opportunity to initially provide Qualified Economically Disadvantaged Individuals for consideration for employment for Entry Level Positions. The duration of the First Source interviewing requirement shall be ten (10) days, unless business necessity requires a shorter period of time;

ii. Administrator will comply with requirements for providing timely, appropriate notification of available Entry Level Positions to the San Francisco Workforce Development System so that the System may train and refer an adequate pool of Qualified Economically Disadvantaged Individuals to participating Employers;

iii. Administrator agrees to use good faith efforts to comply with the First Source hiring requirements. A Administrator may establish its good faith efforts by filling: 1) its first available Entry Level Position with a job applicant referred through the First Source Program; and, 2) fifty percent (50%) of its subsequent available Entry Level Positions with job applicants referred through the San Francisco Workforce Development System. Failure to meet this target, while not imputing bad faith, may result in a review of the Administrator's employment records.

c. Hiring Decisions. Administrator shall make the final determination of whether an Economically Disadvantaged Individual referred by the System is "qualified" for the position.

d. Exceptions. Upon application by Employer, the First Source Hiring Administration may grant an exception to any or all of the requirements of Chapter 83 in any situation where it concludes that compliance with this Chapter would cause economic hardship.

e. Liquidated Damages. Violation of the requirements of Chapter 83 is subject to an assessment of liquidated damages in the amount of \$2,070 for every new hire for an Entry Level Position improperly withheld from the first source hiring process. The assessment of liquidated damages and the evaluation of any defenses or mitigating factors shall be made by the FSHA.

f. Subcontracts. Any subcontract entered into by Administrator shall require the subcontractor to comply with the requirements of Chapter 83 and shall contain contractual obligations substantially the same as those set forth in this Section.

46. Prohibition on Political Activity with City Funds

In accordance with San Francisco Administrative Code Chapter 12.G, Administrator may not participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure (collectively, "Political Activity") in the performance of the services provided under this Agreement. Administrator agrees to comply with San Francisco Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12.G are

incorporated herein by this reference. In the event Administrator violates the provisions of this section, the City may, in addition to any other rights or remedies available hereunder, (i) terminate this Agreement, and (ii) prohibit Administrator from bidding on or receiving any new City contract for a period of two (2) years. The Controller will not consider Administrator's use of profit as a violation of this section.

47. Preservative-treated Wood Containing Arsenic.

Administrator may not purchase preservative-treated wood products containing arsenic in the performance of this Agreement unless an exemption from the requirements of Chapter 13 of the San Francisco Environment Code is obtained from the Department of the Environment under Section 1304 of the Code. The term "preservative-treated wood containing arsenic" shall mean wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination, including, but not limited to, chromated copper arsenate preservative, ammoniacal copper zinc arsenate preservative, or ammoniacal copper arsenate preservative. Administrator may purchase preservative-treated wood products on the list of environmentally preferable alternatives prepared and adopted by the Department of the Environment. This provision does not preclude Administrator from purchasing preservative-treated wood containing arsenic for saltwater immersion. The term "saltwater immersion" shall mean a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

48. Modification of Agreement

This Agreement may not be modified, nor may compliance with any of its terms be waived, except by written instrument executed and approved in the same manner as this Agreement. Administrator shall cooperate with Department to submit to the Director of HRC any amendment, modification, supplement or change order that would result in a cumulative increase of the original amount of this Agreement by more than 20%.

49. Administrative Remedy for Agreement Interpretation

Should any question arise as to the meaning and intent of this Agreement, the question shall, prior to any other action or resort to any other legal remedy, be referred to the City Purchaser who shall decide the true meaning and intent of the Agreement.

50. Agreement Made in California; Venue

The formation, interpretation and performance of this Agreement shall be governed by the laws of the State of California. Venue for all litigation relative to the formation, interpretation and performance of this Agreement shall be in San Francisco.

51. Construction

All paragraph captions are for reference only and shall not be considered in construing this Agreement.

52. Entire Agreement

This contract sets forth the entire Agreement between the parties, and supersedes all other oral or written provisions. This contract may be modified only as provided in Section 48.

53. Compliance with Laws

Administrator shall keep itself fully informed of the City's Charter, codes, ordinances and regulations of the City and of all state, and federal laws in any manner affecting the performance of this Agreement, and must at all times comply with such local codes, ordinances, and regulations and all applicable laws as they may be amended from time to time.

54. Services Provided by Attorneys

Any services to be provided by a law firm or attorney must be reviewed and approved in writing in advance by the City Attorney. No invoices for services provided by law firms or attorneys, including, without limitation, as subcontractors of Administrator, will be paid unless the provider received advance written approval from the City Attorney.

55. Supervision of Minors

[Reserved.]

56. Severability

Should the application of any provision of this Agreement to any particular facts or circumstances be found by a court of competent jurisdiction to be invalid or unenforceable, then (a) the validity of other provisions of this Agreement shall not be affected or impaired thereby, and (b) such provision shall be enforced to the maximum extent possible so as to effect the intent of the parties and shall be reformed without further action by the parties to the extent necessary to make such provision valid and enforceable.

57. Nondisclosure of Private Information

As of March 5, 2005, Administrator agrees to comply fully with and be bound by all of the provisions of Chapter 12M of the San Francisco Administrative Code (the "Nondisclosure of Private Information Ordinance"), including the remedies provided. The provisions of the Nondisclosure of Private Information Ordinance are incorporated herein by reference and made a part of this Agreement as though fully set forth. Capitalized terms used in this section and not defined in this Agreement shall have the meanings assigned to such terms in the Nondisclosure of Private Information Ordinance. Consistent with the requirements of the Nondisclosure of Private Information Ordinance, Administrator agrees to all of the following:

a. Neither Administrator nor any of its Subcontractors shall disclose Private Information obtained from the City in the performance of this Agreement to any other Subcontractor, person, or other entity, unless one of the following is true:

i. The disclosure is authorized by this Agreement;

ii. The Administrator received advance written approval from the Contracting Department to disclose the information; or

iii. The disclosure is required by law or judicial order.

b. Any disclosure or use of Private Information authorized by this Agreement shall be in accordance with any conditions or restrictions stated in this Agreement. Any disclosure or use of Private Information authorized by a Contracting Department shall be in accordance with any conditions or restrictions stated in the approval.

c. Private Information shall mean any information that: (1) could be used to identify an individual, including without limitation, name, address, social security number, medical information, financial information, date and location of birth, and names of relatives; or (2) the law forbids any person from disclosing.

d. Any failure of Administrator to comply with the Nondisclosure of Private Information Ordinance shall be a material breach of this Agreement. In such an event, in addition to any other remedies available to it under equity or law, the City may terminate this Agreement, debar Administrator, or bring a false claim action against Administrator.

58. Graffiti Removal

Graffiti is detrimental to the health, safety and welfare of the community in that it promotes a perception in the community that the laws protecting public and private property can be disregarded with impunity. This perception fosters a sense of disrespect of the law that results in an increase in crime; degrades the community and leads to urban blight; is detrimental to property values, business opportunities and the enjoyment of life; is inconsistent with the City's property maintenance goals and aesthetic standards; and results in additional graffiti and in other properties becoming the target of graffiti unless it is quickly removed from public and private property. Graffiti results in visual pollution and is a public nuisance. Graffiti must be abated as quickly as possible to avoid detrimental impacts on the City and County and its residents, and to prevent the further spread of graffiti.

Administrator shall remove all graffiti from any real property owned or leased by Administrator in the City and County of San Francisco within forty eight (48) hours of the earlier of Administrator's (a) discovery or notification of the graffiti or (b) receipt of notification of the graffiti from the Department of Public Works.

This section is not intended to require Administrator to breach any lease or other agreement that it may have concerning its use of the real property. The term "graffiti" means any inscription, word, figure, marking or design that is affixed, marked, etched, scratched, drawn or painted on any building, structure, fixture or other improvement, whether permanent or temporary, including by way of example only and without limitation, signs, banners, billboards and fencing surrounding construction sites, whether public or private, without the consent of the owner of the property or the owner's authorized agent, and which is visible from the public right-of-way. "Graffiti" shall not include: (1) any sign or banner that is authorized by, and in compliance with, the applicable requirements of the San Francisco Public Works Code, the San Francisco Planning Code or the San Francisco Building Code; or (2) any mural or other painting or marking on the property that is protected as a work of fine art under the California Art Preservation Act (California Civil Code Sections 987 et seq.) or as a work of visual art under the Federal Visual Artists Rights Act of 1990 (17 U.S.C. §§ 101 et seq.).

Any failure of Administrator to comply with this section of this Agreement shall constitute an Event of Default of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day first mentioned above.

CITY

[City signatory]

Approved as to Form:

Dennis J. Herrera

City Attorney

By _____

Deputy City Attorney

ADMINISTRATOR

By signing this Agreement, I certify that I comply with the requirements of the Minimum Compensation Ordinance, which entitle Covered Employees to certain minimum hourly wages and compensated and uncompensated time off.

I have read and understood paragraph 35, the City's statement urging companies doing business in Northern Ireland to move towards resolving employment inequities, encouraging compliance with the MacBride Principles, and urging San Francisco companies to do business with corporations that abide by the MacBride Principles.

Authorized Signature: _____

Printed Name: _____

Title: _____

Renewable Funding, LLC
City Vendor Number
Address
City, State, ZIP
Phone Number
Federal Employer ID Number

APPENDICES

A: Services to be Provided by Administrator

B: List of Subconsultants

Appendix A
Description of Services
to be Provided by Administrator

Program Design Services

Program design services include alignment with local goals and policies, integration with existing programs, stakeholder engagement, and development of program guidelines.

Administrator will participate in meetings and facilitate the creation of documents with staff and other contractors:

1. To ensure full integration of the financing program with existing federal, state, utility, and local renewable energy incentives.
2. To develop program guidelines based on successful property assessed clean energy (PACE) programs that include (1) an eligible project list, (2) terms and conditions for property owners, (3) regulations regarding participating contractors, (4) clarification of the legal and financial responsibilities of the financing program, (5) workflow process, and (6) structure of program tracks and (7) documents necessary to request and receive funding.
3. To review the proposed financing and legal/legislative structure and the strategy for implementing and administering the financing program.
4. To assist in the drafting procedures, manuals and guidebooks in connection with the Program. (This task is also part of the Program Implementation and Program Administrative Services.)

Program Implementation Services

Program implementation services include finalizing and integrating the tasks outlined in the program design services to create a program that is ready to process applications and fund projects. In addition, these services include the two following key areas:

1. Web Portal
 - a. At City's direction, Administrator will develop, test and implement a website that serves as the primary interface between applicant and administrator. Administrator will "brand" the dedicated website specifically for the City.
 - b. The secure website will manage distribution of program application, application filing, the tracking of the application progress, and notice of project funding. Data collected includes:
 - i. The number and locations of persons enrolling in the program;
 - ii. The type, size and dollar value of install projects;
 - iii. The time between enrollment and installation; and
 - iv. The level of participation of each qualified contractor.
 - c. Through the website, Administrator will develop, implement and administer software and models that:
 - i. processes applications and funding requests

- ii. provides loan repayment projections and bond debt service schedules
- iii. provides real-time reports on program progress

2. Marketing and Communications

- a. Administrator will assist the City in the development of a marketing and education campaign to inform the local community and stakeholders about the program.
- b. Administrator will assist the City in developing develop content for a dedicated website, print materials and workshops.
- c. Administrator will assist the City in the establishment of a branding and marketing plan and the coordination of City and local resources to maximize marketing impacts.
- d. During the first year of the program Administrator will facilitate or assist in the facilitation of a reasonable number of workshops with contractors, prospective participants and/or other interested parties in order to educate them about the program terms and application process.
- e. Administrator will provide a recorded webinar or similar on-line tutorial for property owners and contractors, which will review program policies and requirements, and will assist the City in developing training materials for City-led orientation and communications efforts beyond those set forth above.
- f. Administrator will arrange and prepare presentation materials for the public, legislative and policy-making bodies, credit rating agencies, and credit enhancement and liquidity providers, as required.

Program Administration Services

Program administration services include all tasks necessary to administer the Program on an ongoing basis, with assistance from and oversight by the City.

1. Application Processing, Request, and Payment

- a. Administrator will conduct the property and project screen to ensure both meet the terms and conditions of the program. Administrator will complete property/project screen in no more than five (5) business days from receipt of the application. Administrator will report weekly on applications approved, denied or pending.
- b. When funding is requested, Administrator will verify the project installation through review of appropriate documents. Administrator will conduct this review in no more than five (5) business days from the date all required documents are received, including any required verifications from the City.
- c. Once project is verified, Administrator will notify the City and provide the property owner with legal documents.
- d. Administrator will verify completion of the legal documents after receipt from property owners. Renewable will review documents in no more than one (1) business day.
- e. Upon receipt of complete documents, Administrator will notify the City of an approved funding request and provide the documents necessary to record the lien. Administrator

will record the lien on behalf of the City, if needed.

- f. After the bond is issued and purchased, Administrator will disburse funds to the property owner. Administrator will disburse the funds to the property owner no more than three (3) business days after issuance.
- g. Administrator will collaborate with the City on establishing and implementing appropriate procedures and timelines for applications filed in paper copy as opposed to the internet.
- h. All of the timelines listed above are subject to revision by mutual agreement of the parties in conjunction with the establishment and maintenance of program terms and conditions.

2. Program Reporting

- a. Administrator will provide reports on program application statistics to the City on a weekly basis.
- b. Administrator will assist the City with reporting requirements as part of the allocation of American Recovery and Reinvestment Act (ARRA) funds, if applicable.
- c. Administrator will prepare reports, schedules, and documents to support the issuance and underwriting of bond documents such as disclosure documents for IRS, SEC, and/or any other regulatory body purposes; cash flows analysis; debt service and loan repayment projections; substantiation of revenue and expenditure estimates and project costs; verification of cash flows; and project or market feasibility, as needed

3. Program Documentation

- a. Administrator will collaborate with the rest of the City team to develop the following documents for Program administration:
 - i. Program Terms and Policies
 - ii. Property Underwriting Criteria
 - iii. Authorized Improvements List
 - iv. Program Application and Funding Request forms
 - 1. Application Form
 - 2. Funding Request Form
 - 3. Unanimous Consent Form
 - 4. Information Verification Form
 - 5. Payment Assignment
 - v. Marketing materials
 - 1. PowerPoint presentation for property owners and contractors

2. Program information packet for property owners and contractors

4. Customer Service

- a. Administrator will provide direct customer service to the community via the web, email and phone.
- b. Administrator will provide a local staff presence to permit walk-ins during critical program periods, depending on Program and City needs.

Ancillary Administrative Services

Ancillary administrative services include the following tasks relating to establishing applicant eligibility for income-specific City Subsidies or other benefits.

1. Acceptance and review of all documents required by City to establish eligibility.
2. Communication to City and to applicant of eligibility.
3. Recordkeeping and administration relating to eligibility information, to ensure appropriate transfers of related subsidy payments in respect of Program financings undertaken by eligible applicants.

Special Tax Administrative Services

Special Tax Administrative services are comprised of two categories: Formation Services and Administration Services

Formation services:

Project Coordination and Collection of Data

GCG will meet with City staff, Renewable Funding, and the City's bond counsel and financial advisor to understand the proposed structure for the STD, confirm the boundaries of the district, and discuss components of the special tax formula. This meeting will allow GCG to gain a better understanding of the residential and commercial tracks that have been discussed among the group in order to accommodate both land uses in the special tax formula. GCG will also confirm the anticipated prepayment formula for the STD, administrative procedures that will be set forth in the special tax formula, and structure of the rate supplement that will be disclosed to property owners as part of the unanimous consent form.

Method of Apportionment of Special Tax

Based on the information provided to GCG pursuant to Task A-1 above, GCG will prepare the Method of Apportionment of Special Tax, which will serve as the official special tax formula for the STD. The Method of Apportionment will provide (i) detail and direction as to how the special tax should be calculated for each parcel in the STD, (ii) a prepayment formula for owners interested in prepaying the special tax obligation, and (iii) a summary of the administrative procedures that must occur each year to ensure the special tax is levied to pay debt service on outstanding bonds. The Method of Apportionment will also set forth a template for the rate supplement that will be provided to homeowners and commercial property owners as part of the unanimous consent form when they opt into the STD.

Boundary Map Preparation and Recordation

GCG will prepare the official boundary map for the STD in a format acceptable to the San Francisco Assessor-Recorder's Office. GCG has recorded numerous special district boundary maps and special tax liens with the Assessor-Recorder's Office, which was initially reluctant to accept unique special district documents for recording. The contacts GCG has established in the Assessor-Recorder's Office will facilitate recordation of the unique boundary map that will be needed for the STD.

Contributions to Disclosure Documents

As special tax consultant, GCG is available as needed to provide information or analysis for disclosure documents prepared for the initial issuance or remarketing of bonds for the STD. Parcel-by-parcel breakdowns, aggregate totals by land use category, or any other data associated with special taxes expected to be levied can be provided to facilitate accurate dissemination of information regarding special tax revenues within the district.

Meeting Attendance

GCG will attend meetings with City staff, Renewable Funding, bond counsel, financial advisor, and other members of the working group to acquire information, present drafts of the special tax formula, and review formation documents. In addition, GCG will attend Board of Supervisors meetings as requested to present the special tax formula and answer questions from the Board and potential participants.

Administration Services:

Data Collection

GCG will coordinate with City staff to track the parcels that will be subject to the special tax levy in each fiscal year. For each parcel, GCG will obtain a copy of the rate supplement and determine the maximum special tax that will apply in the current fiscal year; confirm the current Assessor's parcel number; determine whether the parcel has been subdivided or is the result of a subdivision and allocate the maximum special tax accordingly; and calculate the amount to be levied to pay the parcel's debt service.

Annual Special Tax Levy Calculation and Enrollment

Based on the information collected pursuant to task B-1, GCG will calculate the special tax levy for each taxable parcel in the STD by applying the rate supplement and Method of Apportionment of Special Tax. GCG will also coordinate with City staff to ensure that all administrative expenses associated with the STD are included in the special tax levy. GCG will then prepare and submit the special tax levy in a format that complies with the specific instructions of the Auditor-Controller's office.

Annual CFD Administration Report Preparation

GCG will annually prepare a special tax administration report for the City which will summarize (i) the components of the special tax levy for the fiscal year, including the number of parcels subject to the special tax and the amount to be levied on each parcel; (ii) changes in the district from the prior year, including parcels annexed to the STD and bonds secured by each new parcel, (iii) prepayments that have been received in the past year; (iv) delinquencies that have occurred and efforts that have been made to collect the past due amounts; and (v) any other event that affects the general fiscal health of the district.

Delinquent Special Tax Reporting

GCG will monitor the Auditor-Controller's tax collection summaries and report on delinquent special taxes in the STD. After discussion with the City, GCG will prepare and mail demand letters to property owners with delinquent special taxes and work with the City to ensure compliance with foreclosure covenants and provisions in the bond documents. If the City pursues foreclosure against a parcel in the district, GCG will coordinate with the foreclosure counsel to assist in the process.

Prepayments and Release of Special Tax Liens

GCG will provide homeowners, property owners, title agents and other interested parties with an estimate of the amount required to prepay the special tax lien on parcels in the STD. If an owner makes a prepayment, GCG will record a Notice of Cancellation of Special Tax Lien with the Assessor-Recorder's Office to remove the special tax lien from the owner's parcel.

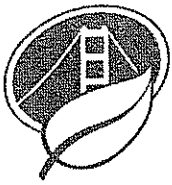
Answer Inquiries from Various Parties

GCG will respond to homeowners, property owners, realtors, title companies, appraisers and other parties regarding the special tax and other issues related to the STD. GCG's toll free number will be provided on the tax bill for questions related to the special tax, and calls will be responded to by a GCG staff person on the day they are received.

Appendix B
List of Subcontractors

The following subcontractor is deemed approved for purposes of the identified services under this Agreement:

Goodwin Consulting Group; special tax administrative services



SF Environment

Our home. Our city. Our planet.

A Department of the City and County of San Francisco



GAVIN NEWSOM
Mayor

DAVID ASSMANN
Acting Director

MEMO

TO: Board Budget and Finance Committee, Supervisors Avalos, Mirkarimi, and Chu
RE: San Francisco Sustainable Financing
Draft Staff Summary, 1/6/10

Executive Summary

Property tax lien financing programs, also known as property-assessed clean energy (PACE) programs, have gained a great deal of attention in recent months as a promising policy tool for increasing the adoption of "green" building retrofits and reducing a community's overall carbon footprint. By spreading the up-front cost of a energy efficiency (EE) retrofit over a longer time, and by attaching the payment obligation to the improved property itself through a tax lien, PACE programs provide the means for the energy bill savings resulting from a retrofit to better match the timing and cost of financing the improvements through the PACE tax lien. Therefore the decision to pursue a retrofit can make financial sense to more building owners, and in the aggregate these decisions can help the City reach its aggressive energy and carbon emissions goals.

The pilot PACE financing programs implemented by the City of Berkeley and around the state, as well as in a handful of other states like Colorado, have demonstrated the ability of cities and counties to organize successful retrofit initiatives. These programs have utilized a single lender at a time: either a single bond purchaser or public funds. This approach constrains the potential of these programs, as there are limits to the amount any city or any one investor can or will risk in the performance of a single city's retrofits, no matter how large that city is or how deep the investor's pockets are.

There is a simple solution. If a city can instead sell its retrofit efforts to hundreds or thousands of bond buyers, each looking for a solid return on an investment in real estate improvements that benefit the environment and the economy, the program resources will no longer be limited to the funding capacity of any one entity. The challenge is building the financial engine that can attract financing capital, which in turn encourages cost-effective retrofits, which in the aggregate improve the program's credit rating, attracting even more financing capital, resulting in sustainable, self-supporting funding streams for highly beneficial projects.

San Francisco Sustainable Financing represents a comprehensive attempt to build just such a market-based financial engine. While previous initiatives across the nation have provided access to just-in-time financing of projects as they are completed or have aggregated a number of such projects into a single bond sale, none thus far has been able to bridge the gap between the two approaches. Using the existing municipal bond market, San Francisco Sustainable Financing covers the range of financing terms to cultivate and grow retrofit demand in the City.

San Francisco Sustainable Financing is unique in the types of projects it will finance. The primary goal of San Francisco Sustainable Financing is to create a large scale market for "whole building" energy and water retrofits in the City. The Program terms and conditions will phase in a requirement of "comprehensive energy audits" as a condition to funding, and will require a "loading order" of energy efficiency improvements, prioritizing cost-effective EE measures before installing more expensive but "right-sized" renewable energy systems such as solar. This design is expected to foster the combination of more expensive renewable energy improvements with more cost effective energy and water efficiency measures to improvements resulting in

initial phase of the program, until such time as the market can provide more competitive rates without such subsidy.

2. Eligibility

An applicant's eligibility for San Francisco Sustainable Financing will be subject to a number of different requirements. In most instances applicants will be required to obtain a building performance energy rating or audit under an applicable industry standard as a condition to approval, though this requirement will be phased in over time as the City's supply of qualified auditors grows to meet demand. As noted above, projects seeking funding for renewable energy systems will be required to implement energy efficiency improvements resulting in at least a 20% improvement in the building's energy efficiency as part of the same project.¹ The Program will maintain a list of improvements eligible for funding, which will include the required permitting and testing applicable to such a measure. A draft list of eligible measures is attached as **Attachment 1**. Eligible measures will be updated as needed upon approval from the Environment Commission (for energy measures) or the SFPUC Commission (for water measures).

San Francisco Sustainable Financing will also apply a set of underwriting criteria to ensure that the applicant property can support the proposed financial commitment. The program has a strong interest in proving the economic benefits of retrofit financings. In particular the demonstration of the manner that utility bill savings resulting from the project can assist in repayment of the related financing, such that the building owner can continue to satisfy all mortgage debt and tax repayment obligations, will be a powerful argument for the further development of this promising financial tool. By the same token a failure to take a systematic approach to ensuring the soundness of the financing decision would be counterproductive, and the resulting payment defaults or fraud would seriously damage this unique opportunity to assist City residents in creating a more sustainable energy and water economy. Therefore the property underwriting criteria include a focus on the overall debt burden on the property after the financing, the property's tax payment history, the existence of any liens on the property, and other similar factors that illustrate the property owner's ability to repay the financing.

Draft Program Terms, including eligibility requirements, are attached as **Attachment 2**.

3. Grant Strategy

San Francisco Sustainable Financing has been developed with the objective of eliminating any need for financial support from the City's General Fund. Thus, the market-based funding mechanism relies on private capital to finance projects. However, there are additional startup costs as well as other related policy initiatives that require a funding source. If all of these costs were added to the market-based financing vehicle, the program interest rate would not be attractive enough to encourage projects. Therefore San Francisco Sustainable Financing staff has worked to identify grant sources for these startup costs and policy initiatives.

The following grant funds have already been attained:

- A \$616,000 portion of the City's Energy Efficiency and Conservation Block Grant (EECBG) amount has been allocated to pay San Francisco Sustainable Financing costs, and these will defray the initial costs of establishing the program (consultants, legal advice, etc) as well as certain initial program management and communications expenses.
- A portion (\$20,000) of the Department of the Environment's US Department of Energy (USDOE) Solar America Cities Special Projects Grant has been allocated to cover San Francisco Sustainable Financing administrative costs.

¹ There will be an alternate approach to determining the appropriate set of improvements during initial program start-up period.

The following grant funds have been applied for:

- The SFPUC has applied for a grant of \$2,080,000 under the stimulus-funded State Energy Program (SEP grant) to “buy down” the San Francisco Sustainable Financing interest rate for the initial set of borrowers in order to build a more diverse loan portfolio, as well as to fund incentives and other benefits designed to stimulate workforce development and to lower barriers to entry for residential, commercial and community facilities buildings serving economically disadvantaged communities in the City.
- The Department of the Environment (SFE) has applied for an additional grant under the SEP grant program of \$856,000 to support local residential and commercial building retrofit efforts, a portion of which can be used to cover San Francisco Sustainable Financing administrative and outreach costs.
- SFE has applied for a grant under the USDOE “Retrofit Ramp Up” grant program of approximately \$4M to support local residential and commercial building retrofit efforts, a portion of which can be used to cover San Francisco Sustainable Financing administrative and outreach costs.

We expect to hear in spring 2010 about whether these grants have been awarded. San Francisco Sustainable Financing staff is monitoring further grant opportunities that may provide additional program benefits to help ensure a successful launch.

4. Communications Strategy and Community Outreach

Renewable Funding and San Francisco Sustainable Financing staff are developing a detailed, multilingual website for the Program. The website’s primary function will be to educate, inform and recruit participants and will present potential upgrades/improvements in the program context of stimulating whole-house, comprehensive retrofits. These interactive tools will collect information about the prospective applicant’s building and will calculate what an individual can save in terms of energy, water and ultimately utility bill cost. The website will allow potential participants to apply on-line and to check the status of their application as it makes its way through the approval process. (Paper applications will also be accepted—the process for submitting and accepting paper applications is currently being developed.)

In collaboration with Supervisor Mar’s office, San Francisco Sustainable Financing staff have held meetings with key stakeholders and community members to inform them about the Program and to solicit their input on Program design. Prior to the official launch of the Program, San Francisco Sustainable Financing staff will host a series of workshops in communities around the City. These workshops will present information, engage in dialogue, and establish connections between applicants, contractors, and City staff. These workshops will target a spectrum of City’s neighborhoods but will be weighted towards inclusion of the communities in the City’s southeastern sector, which are historically the most economically disadvantaged within the City. Such workshops will also be an opportunity to describe and refer potential applicants to the City’s workforce development programs. These workshops will be publicized through direct outreach to community groups and leaders, media and direct mail. San Francisco Sustainable Financing staff will create a FAQs sheet (draft FAQs attached as **Attachment 3**) and a basic informational flyer to advertise, educate and recruit for the program. This flyer will offer specifics about the program, the types of upgrades and improvements that are eligible and how applicants can get more information.

Lastly, there a number of communications and outreach initiatives being funded through EECBG, SFE’s Energy Watch program, the SFPUC’s WaterWise and GoSolarSF programs and other sources. San Francisco Sustainable Financing staff will work to ensure that the program is communicated as a key tool in enabling City residents and businesses to unlock the potential utility bill savings that can result from a retrofit of their buildings.

5. Workforce Development

To grow the City's skilled "green collar" workforce and secure the full range of economic and social benefits of the Program, the Program will leverage the City's new Green Skills Academy and the existing CityBuild program operated by the Office of Economic and Workforce Development. These linkages will be direct, in the form of ensuring that Academy graduates are aware of the potential opportunities resulting from the expansion of demand for retrofits under the Program in selecting their certificate program, and the provision of input as to the types of jobs most in demand as reflected in Program application data to support the further refinement of the Academy's curriculum.

In addition, as noted in Section 3 above, the San Francisco Sustainable Financing grant strategy includes potential funding for incentive payments tied to the employment of graduates of the City's workforce development programs. The size and eligibility requirements for these incentives depend on whether these grants are awarded; in any event San Francisco Sustainable Financing is committed to establishing this type of durable linkage between the program's performance and the development of the City's green collar workforce.

6. Economically Disadvantaged Communities

A robust energy retrofit initiative can provide a variety of benefits to the City's underserved communities by generating employment growth in skilled trades, allowing homeowners to reduce high and often volatile energy bills with a predictable, affordable financing payment, and by reducing pollution from power generation that has historically affected these environmental justice communities within the City. Therefore San Francisco Sustainable Financing staff continues to work to create a well-rounded effort to bring these benefits to all sectors of the City. These efforts include the following:

- Targeted Communications. San Francisco Sustainable Financing cannot assist these hard-to-reach residents and building sectors if they are not aware of the Program opportunities. Therefore the program communications strategy targets underserved communities for specific outreach, both in terms of the community "road show" events but also in terms of door-to-door outreach performed by SFE energy staff and community-based organizations under related EECBG programs.
- Workforce Development. As described in Section 5 above, the City has launched new initiatives designed to link the City's workforce training program graduates to productive employment in the City's construction and retrofit sector. By providing residents of the City's historically underserved communities with access to training and support in their effort to join the City's green collar workforce, these programs will complement the San Francisco Sustainable Financing efforts to deliver on the employment promise serving as a foundational pillar of the local retrofit economy.
- Financial Assistance to Targeted Populations. As noted in Section 2 above, the SEP grant proposal includes a request for funds to assist in lowering the barriers to obtaining energy ratings and targeting additional financial support to leverage private financing options for hard-to-reach populations. If SEP funds are awarded, the assistance to economically disadvantaged areas will focus on households earning 150% of area median income or less. This level was selected in order to leverage San Francisco Sustainable Financing's rating and loading order approaches with the existing and proposed financing options for lower income levels, while at the same time providing new opportunities for those populations which do not qualify under the existing standards but in any case are identifiably disadvantaged economically. If grant funds are not awarded San Francisco Sustainable Financing staff will consider allocating a portion of the remaining EECBG funds towards this purpose.

7. Program Administration

San Francisco Sustainable Financing has been developed as a City program, with multiple departments contributing significantly to ensure its successful design, including SFE, SFPUC, Office of Public Finance,

City Attorney's Office, Assessor-Recorder's Office, and Tax Collector's Office, as well as the Mayor's Office and Supervisor Mar's Office. Due to the nature of the types of building improvements to be financed and the complexity of the Program, successful implementation of San Francisco Sustainable Financing will also be heavily dependent on the continuing involvement of these departments. Thus, the administrative structure has been designed to ensure effective collaboration between departments as we move forward with Program implementation and oversight.

The Department of the Environment (SFE) will serve as the primary Program Administrator, and will be ultimately responsible for general Program administration and reporting. Representatives from departments that have contributed to the development of the program including SF Environment, SFPUC, and Office of Public Finance, will meet regularly in the first year of the Program's implementation, and then as needed thereafter, to guide major policy and programmatic decisions.

		Minimum Requirements		Verification
Category	Measures	Lifespan	Description	(P=Permit, R=Registered Pro)
Air Sealing and Ventilation	Air Balancing			
	Air Filtration			
	Air Sealing	30		
	Air Barriers			
	Bathroom fan	10	Energy Star qualified	
	Ceiling fan	10	Energy Star qualified	
	Crawlspace Sealing			
	Duct Sealing and Cleaning	18		
	Whole House Fan	20	Must move 1,000 cubic feet air/minute	
Insulation	Roof	20	Must meet 2009 IECC	
	Attic	30	Minimum R30 and replace R11 or lower and must meet 2009 IECC	
	Duct	15	Must meet 2009 IECC	
	Floor	20	Minimum R-19	
	Hot Water System	13	Must meet 2009 IECC	
	Wall	20	Minimum R13 and only for existing uninsulated walls Must meet 2009 IECC	
	Cogeneration furnace			
	Desuperheaters			
	Duct Installation			
	Duct Replacement			
	Ducted Heat Pump	15		
	Ductless Heat Pump		Split systems: HSPF 8.5, EER 12.5, SEER 15 Packaged Systems: HSPF 8, EER 12, SEER 14	
	Evaporative coolers	15	Evaporative effectiveness of 0.85 or better	
	Exhaust Fan			
	Furnace Tune Up			
	Geothermal Heat Pump		EER 14.1 COP 3.3 closed loop; EER 16.2 COP 3.6 open loop; EER 15 COP 3.5 direct expansion	

Minimum Requirements

Category	Measures	Lifespan	Description	Verification
				(P=Permit, R=Rebate Docs)
Space Heating and Cooling	Heat Recovery Ventilation System			
	High Efficiency Air Conditioner	15	Central Air Conditioning: Energy Star Qualified Split Systems: EER 13/SEER 16 Packaged Systems: EER 12/SEER 14	
	High Efficiency Furnace	20	Minimum 90% (oil), 95% (natural gas, propane) AFUE	
	HVAC Zoning			
	Hydronic Air Handler			
	Hydronic Radiator Installation			
	Mechanical Dampers Installation			
	Mechanical ventilation and cooling systems			
	Permanent Exterior Shading Devices			
	Radiant Barrier Installation			
	Radiant Heating System Install			
	Thermostat Installation	11		
	Weatherization	11		
Water Heating	High Efficiency Hot Water Boiler Install		Minimum 90% AFUE	
	High Efficiency Water Heater Install	11	Natural Gas Storage Water Heater. Minimum Energy Factor (EF) of 0.62. The water heater must be 30 gallons or greater. Electric Storage Water Heater. Minimum Energy Factor (EF) of 0.93. The water heater must be 40 gallons or greater. Instantaneous and tankless water heaters do not qualify.	
	Water Heater - Tankless	20		
	On demand Recirculation Pump			

Energy Efficiency

Minimum Requirements

Category	Measures	Lifespan	Description	Verification (P=Permit, R=Rebate Does)
Lighting	High Efficiency Lighting Retrofit		T8 and T5	
	Lighting (hard wired)	16	Energy Star qualified	
	Lighting controls, including occupancy sensors			
Daylighting	Solar Tube Installation	10		
Windows, Doors and Skylights	Window Replacement	20	Exterior Window Replacement. U factor less than or equal to 0.30, SHGC less than or equal to 0.30	
	Window Film	10		
Reflective Roof	White Roofing	20	Energy Star asphalt and metal roofs eligible for cool roof	
Pool Equipment	High Efficiency Pool Pump Install	10		
Response and Storage	Demand Response Controls Energy Storage Systems (electricity or thermal)			
	Solar Thermal Installation	15	Must meet CSI requirements	

Minimum Requirements

	Category	Measures	Lifespan	Description	Verification (P=Permit, R=Rebate Docs, I=Inspection)
Renewable Energy	Solar	Solar PV System	25	Must meet CSI Requirements	P, R, I
	Wind	Wind Turbine Power Systems		Must be UL listed, SWCC certification when applicable	P, R (if applicable), I
	Fuel Cell	Fuel Cell Power Systems			
Water Efficiency	Fixtures	Low Flow Showerheads	10		
		Low flow showers			
		Toilets: flush a 1.28 gpf or less	20	SFPUC Qualifying HET List	A, I
		Urinals: flushing at 0.5 gpf or less	20	SFPUC Qualifying HET List, no permit needed unless waterless	
		Showerheads: flow at 1.5 gpm or less	10	Product Stamp: 2.5 gpm or less	
		aerators: flow at 1.0 gpm or less	10	Product Stamp: 2.5 gpm or less	
	Landscaping	Grey water systems			
Other	Other measures such as potable water offsets, efficiency improvements, irrigation measures, process improvements and storm water management improvements shall be considered on a case-by-case basis in consultation with the SFPUC.	Minimum 10		A	

Minimum Requirements

Category	Measures	Lifespan	Description	Verification (P=Permit, R=Rebate, Docs)
Not listed				
	air source heat pump			
	electric heat pump water heater			
	weather based irrigation controllers			

DRAFT

San Francisco Sustainable Financing Program Terms

This document was last updated 1/4/10.

If you ("the property owner(s)") wish to apply for financing ("financing" or "funding") from the City and County of San Francisco ("the City") as part of its San Francisco Sustainable Financing (SF²) Program ("Program"), you should read these Program Terms.

These San Francisco Sustainable Financing (SF²) Program Terms, along with the documents you execute in connection with the Program, including but not limited to your application for a funding reservation, an information verification form and the Unanimous Approval described in "Funding Request" below (collectively the "Program Documents"), establish the terms of the Program. You should become familiar with and understand the provisions of the Program Documents. By executing the Programs Documents, you will agree to the terms of the Program. The City reserves the right to amend these Program Terms from time to time as described in "Changes in the Program Terms; Severability" below.

I. Purpose of the San Francisco Sustainable Financing (SF²) Program

The Program is intended to assist property owners in the City with financing the acquisition and installation of energy efficiency, water conservation and renewable energy improvements (the "Authorized Improvements"). The City and County have formed the "City and County of San Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing)" (the "Special Tax District") to provide the source of financing for the Program. The City will issue bonds on behalf of the Special Tax District and use the sale proceeds of the bonds to finance Authorized Improvements. The bonds will be repaid and the costs of administering the Program will be paid with special taxes paid by the property owners who choose to participate in the Program.

There may be other types of financing available. The City does not guarantee that the Program is the best financing option for your situation. Please do your research and select the option that is most appropriate for you.

II. Summary of the Program Process

The SF² Program is available to all privately owned buildings. The initial terms and conditions address financings of \$50,000 or less for retrofit projects at residential and small commercial buildings. Larger projects are eligible for SF² funding, but the approach to those financings may vary according to the specific projects proposed. The City will establish additional terms and conditions appropriate to such proposals, if any, in advance of any such financing approval.

As discussed in more detail below, in order for you to receive funding from the Program, the following steps must occur within all property types:

First: You must determine that you will meet the eligibility requirements. See "Eligibility" below.

Second: You must apply online for a funding reservation from the Program. See "Application for a Funding Reservation; Approval or Denial; Application Fee" below. You must electronically agree to these Program Terms before you submit your completed application.

Third: The City must approve your completed application for a funding reservation. See "Application for a Funding Reservation; Approval or Denial; Application Fee" below.

Fourth: A Qualified Contractor must complete the installation of Authorized Improvements on your property. See "Authorized Improvements; Qualified Contractors; Maximum Funding" below.

Fifth: You must make a funding request and submit all required documents within 180 days of application approval. See "Funding Reservation Expiration" and "Funding Request" below.

Sixth: The City will record a Notice of Special Tax Lien against your property at the request of funds. The City will authorize the release of funds to you after project completion, unless you choose to assign payment directly to your contractor. See "Funding Request" below.

Seventh: You will be expected to pay the special taxes in the amounts and at the times specified in the Unanimous Approval. See "Financing Cost; Interest Rate; Special Taxes" below.

The City has hired a third-party (the "administrator"), Renewable Funding LLC, to administer the program. The City may change administrators from time to time. The City will share information with the administrator and other third parties as necessary to administer the Program. See "Disclosure of Property Owner Information" below.

III. Eligibility

In order participate in the Program, a property owner must meet and/or complete the following requirements and steps:

- a. The property to be improved with the Authorized Improvements (the "subject property") must be located in the City.
 - b. The subject property may be used for residential or commercial purposes. If the subject property is used for residential purposes, the property owner(s) do not have to occupy the subject property as their primary residence.
 - c. Owners of residential properties up to 4 units must notify any and all lenders with existing liens on the subject property in writing of the proposed senior lien. The Program will provide sample lender notification language for use by prospective applicants. A copy of the lender notification letter must also be sent to the City.
 - d. All owners of the fee simple title to the subject property must sign the Program Documents. Therefore, before submitting an initial application, please ensure that all owners of the fee simple title to the subject property agree to participate in the Program on the terms set forth in these San Francisco Sustainable Financing (SF²) Program Terms.
 - e. The program will encourage each applicant to complete a whole building performance audit, completed by a BPI contractor, Home Performance with Energy Star contractor (HPwES), or HERS II Rater. The Program expects to amend these terms and conditions to require such an audit once there is a sufficient supply of qualified energy raters within the City to support projected Program demand. For the initial phase of the Program, the following requirements will apply:
 - i. If solar PV is financed, the property owner must also implement energy efficiency measures demonstrating a 20% improvement in building performance through a test-in and test-out rating process.
 - ii. If a residential or small commercial property owner wishes to finance energy efficiency measures and/or a renewable energy project through the Program without completing a whole building performance audit, then they must first install the basic home energy retrofit package set forth below. This package was developed through the recommendations of the state's Home Energy Retrofit Coordinating Committee and staff from the SFPUC's WaterWise program. [I suggest listing the specific improvements rather than referring the reader elsewhere, at least for the Board information.]
- Air Sealing
 - Attic Insulation
 - Insulation of the Hot Water System
 - Combustion Appliance Safety Testing
 - Installation of a combined carbon monoxide and smoke alarm.
 - Water Conservation Measures
 - Installation of showerheads with rating of 2.5 gpm or better
 - Installation of faucet aerators with rating of 2.2 gpm or better

- iii. If a property owner or owners desire to finance water efficiency improvement projects only, they must complete a WaterWise Evaluation and will also receive information regarding energy efficiency at that time.
- f. If solar PV is financed, the property owner(s) must participate in the California Solar Initiative ("CSI") Rebate and, if available, the GoSolarSF incentive program with respect to the subject property to the extent the subject property is eligible for such programs at the time of application. The total amount to be financed will be established net of such rebates and incentives.
- g. The property owners(s) must agree to provide access to its utility usage information to enable the Program to monitor energy savings. The property owner(s) must further agree to participate in surveys and program evaluations directed by the City.
- h. The property owner is highly encouraged to participate in a workshop or online tutorial about the program terms.
- i. The property owner(s) must certify as to not having declared bankruptcy in the past 7 years.
- j. The property owners must be current in the payment of all obligations secured by the subject property, including property taxes, assessments and tax liens, within the past 3 years (or since you took title to the subject property if it has been less than 3 years). The City may review public records, including the County real property records, to verify compliance with this requirement. Certain allowances may be made for property tax payment delays that do not reflect financial distress. Commercial properties which are currently appealing a property tax assessment will be reviewed and eligibility will be determined on a case by case basis.
- k. There must be no notices of default or foreclosure due to non-payment of property taxes or mortgage filed against the subject property within the last 5 years (or since ownership, if less than 5 years). The administrator reserves the right to deny a reservation and a request for funding to a property owner if any other property it owns has been subject to foreclosure in the past 5 years. However, a property with a notice of default or foreclosure may be allowed to participate in the program if it receives consent from the property's current lender(s).
- l. The property owners must not have involuntary liens, defaults or judgments applicable to the subject property in excess of \$500. The City may review public records, including the County real property records and court documents, to verify compliance with this requirement. A property owner with an involuntary lien of greater than \$500 may be allowed to participate in the program if it can demonstrate an acceptable reason for the lien, default or judgment and a path for resolution along with supporting documentation. A commercial property with an involuntary tenant's lien will be reviewed and eligibility will be determined on a case by case basis.
- m. The assessed value of the property and the average market value of comparable properties must be greater than the total private property debt including mortgages and equity lines of credit. If only one of the above values is greater than the total property debt including mortgages, equity lines of credit and the value of the program loan, the administrator may request additional information in order to approve the application. The property owner may/will also be asked to provide a current mortgage statement reflecting the outstanding balance and any payment delinquencies, if the title search does not provide adequate information.
- n. The value of the program financing cannot exceed 10% of the assessed value of the property and average market value of comparable properties. If only one of the above values is greater than the program financing, the administrator may request additional information in order to approve the application.
- o. Because the Program involves issuance of bonds by the City on behalf of the Special Tax District, the City is concerned that property owners who participate in the program will pay their special taxes in full on a timely basis. Therefore, the Administrator on behalf of City reserves the right to request additional information, including a credit check, in its sole discretion and to deny applications based on any information that reflects on the likelihood that a property owner may not pay special taxes.

IV. Authorized Improvements; Qualified Contractors; Maximum Funding

Authorized Improvements. At this time, Program financing may only be used to finance solar photovoltaic installations, solar thermal installations, approved energy efficiency improvements, and approved water conservation measures, which are available in a list at <insert website url>. You are responsible for the Authorized Improvements installed on your property. You will need to address performance and other system-related issues directly with the installer according to the terms of your contract with the installer. Some measures may have additional requirements prior to financing. See "Eligibility" above for additional information.

The Program is a financing program only. Neither the City nor the administrator is responsible for the system or its performance.

Qualified Contractors. The Authorized Improvements must be installed by contractors who meet the eligibility criteria set forth for the specific category of work being financing. Energy efficiency measures must be installed by either a BPI, Home Performance with Energy Star (HPwES), or Energy Watch contractor. The HERCC basic package may be installed by an appropriately licensed contractor listed on the Qualified Contractors list.

General contractors installing such measures will be required to commit to obtaining appropriate BPI qualification and accreditation within six (6) months of the completion of the project. This alternate approach is expected to be available for applications received up to the one-year anniversary of Program launch; as noted above, the terms and conditions will be amended to reflect an approach focused on whole building performance audits when appropriate.

Solar PV and water heating projects must be installed by a contractor on the California Solar Initiative list. Water conservation measures must be completed by a licensed contractor from the list of Qualified Contractors. A list of Qualified Contractors is located at: <insert website url>. If you choose to work with a contractor that is not registered, you are not eligible for the program financing.

By requiring that your installer be registered, the City is not recommending a particular contractor or warranting the reliability of any such installer. The Program is a financing program only. Neither the City nor the administrator will participate in the resolution of any dispute between you and your installer.

Maximum Funding. The City requires a minimum funding request of \$5,000. As noted above, these terms and conditions apply to applications requesting financing up to a maximum of \$50,000 per property or 10%, inclusive of closing costs and fees, of the assessed and/or market value of the property (whichever is less). The City will only authorize funding requests in an amount equal to the lesser of (i) maximum amount allowed for the property type or (ii) the final cost of installing the Authorized Improvements plus the costs of obtaining the financing (i.e. energy rating fee) less state and city rebates. The funding limits are per property per financing request.

The Program will not provide financing for any costs in excess of this amount. The City encourages you to do your research and receive bids from multiple contractors before signing a contract. The City is not responsible for determining the appropriate equipment, price or installer for your property.

The City maintains the discretion to approve applications with project costs above the stated maximum, and therefore such proposals are invited. Such applicants should note that the City may also allow for a different legal process or financial arrangements for such projects and therefore the review and approval process may be extended beyond that set forth in these terms and conditions.

V. Initial Application for a Funding Reservation; Approval or Denial; Application Fee

Initial Application. All property owners interested in applying to the Program must submit an online or paper application with their current contact information and general property information, contractor bids, whole home performance audit documentation (if installing energy efficiency or renewable energy measures), Water-Wise evaluation (if installing water efficiency measures), and the \$300 application fee. See complete list of documents below. See "Eligibility" above for more information on specific technology requirements. At the time of application, property owners must electronically agree to the Program Terms. Project applications for larger financing amounts or building types not covered by these terms and conditions will receive an administrative point of contact from the City or administrator who will assist in the process after the initial on-line application has been submitted.

Apply for Funding Reservation Documents

- a. Executed Program Terms, if not applying online
- b. Mortgage statement

- c. Lender notification
 - 1. For residential properties up to 4 units, a copy of the letter the applicant sent to his/her lender and proof of mailing (e.g., certified or registered letter receipt, UPS/Federal Express receipt). Letter must have been sent at least 30 days prior to funding request. Property owner must further certify it has received no protest from the lender.
 - 2. For small commercial and non-residential properties, the written consent of existing lender(s).

NOTE: The Program will provide sample notification language for property owners to send to their lender(s).
- d. "Test In" Verification from a BPI, HPwES, Energy Watch contractor or HERS II auditor (if applicable)
- e. A bid, including Program Bid Cover Sheet, for proposed projects for financing

Approval or Denial. Based on the eligibility requirements listed above, the City will approve or deny your application within approximately five (5) business days of receipt by the City or its agent. You will be notified of approval or denial via email.

Submission of an application does not guarantee that you will be approved for a funding reservation. If you proceed with installation before notification of a funding reservation, you risk incurring the cost of installation without the benefit of Program financing.

In addition, a funding reservation does not guarantee that you will receive funds from the Program. Before you receive funds from the Program, you must satisfy the requirements listed in "Funding Request" below.

Application Fee. You will be asked to pay a non-refundable application fee of \$300 when you submit your application. If your application is approved but you do not meet the funding requirements or decide not to utilize the Program funding, your fee will not be refunded.

VI. Funding Reservation Expiration; Funding Reservation Cancellation

If the City approves your application, your funding reservation will be effective for 180 calendar days for residential and small commercial applications and a project-specific period for non-residential applications. This means that you must have a Qualified Contractor complete installation of the Authorized Improvements on the subject property and submit a compliant funding request (see "Funding Request" below) within the reservation period for which the City approves your application. If you fail to have a Qualified Contractor complete the installation of Authorized Improvements on the subject property within the reservation period, your funding reservation will expire. You may request to extend your reservation prior to expiration. However, you will have to pay an extension fee of \$100 and the approval of any such request will be subject to funding availability for the period of the extension.

If your reservation expires, you may reapply but there is no guarantee that a new reservation will be available.

An applicant may cancel a funding reservation during the reservation period, but will forfeit the application fee and the opportunity to receive funding under that reservation. The applicant may reapply but will not be guaranteed funding availability and will need to pay another application fee.

VII. Funding Request

After a Qualified Contractor has completed installation of the Authorized Improvements on the subject property, you must submit a funding request and project verification documents in order to receive funding from the Program. The administrator will review the funding request and project verification documents, and produce final program forms. The final program forms will be sent to you within five (5) business days. You must return the executed final program forms to the City within fourteen (14) calendar days. The project verification documents and final program forms are listed below.

Project Verification Documents

- a. A signed final permit inspection from the City's Building Department for applicable projects, including the installation of HERCC measures
- b. A final invoice from all contractors

- c. A copy of California Solar Initiative (CSI) Confirmed Reservation Notice Letter (if solar PV and/or solar water heating is installed)
- d. "Test Out" Verification from a BPI, HPwES, or Energy Watch contractor or HERS II auditor (if applicable)
- e. A copy of the Water-Wise evaluation (if water efficiency measures are installed)

Final Program Forms

- a. An executed and notarized Unanimous Approval. By executing the Unanimous Approval, you will annex the subject property to the Special Tax District, agree to pay special taxes in specified amounts for the period specified in the Unanimous Approval, consent to recordation of a Notice of Special Tax Lien against the subject property, and release the administrator from any liability associated with installation of the Authorized Improvements or their performance.
- b. An executed Information Verification form.
- c. PG&E Authorization to Release Information, CSI Authorization to Release Information, and Authorization to Release Information to other City Administrators.
- d. A Payment Assignment Form, if the payment is to be assigned to the contractor

If the documents listed above are not submitted to the City within 14 calendar days after you receive the final program forms, the funding request will expire. In that event, you will need to make a new funding request if you wish to receive funds from the Program. **If the interest rate has changed between the date of your original funding request and your subsequent funding request, the interest rate will be reset. See "Financing Cost; Interest Rate; Special Taxes" below.**

Once the City has received all required documentation from you, and after it has confirmed your compliance with the eligibility requirements (see "Eligibility" above), the City will record the Notice of Special Tax Lien as an encumbrance on the subject property and approve the issuance of a check to you (or your installer, if you instruct us to pay the installer directly).

All funding requests will be deemed final upon submission of the required documentation listed above and may not be subsequently changed.

In the event financing is canceled after a request for funding is submitted to the City, all expenses incurred by the City for recording tax liens, preparing bond documents and removing tax liens will be the responsibility of the applicant. The City will terminate the lien evidenced by recordation of the Notice of Special Tax Lien upon receipt of reimbursement from the applicant for these expenses.

VIII. Financing Cost; Interest Rate

Financing Cost. In order to receive funding, you will agree to pay special taxes in an amount equal to (i) the principal amount you received from the Program, (ii) interest on the principal amount you received from the Program and (iii) initial and on-going administrative expenses. The City expects to levy special taxes on your property tax bill, although it may bill you separately.

Principal Amount. This is the amount equal to all project costs you choose to finance, which may include costs associated with implementing the project such as permits, audit expenses, and application fee.

Interest Rate. The rate of interest on the amount of funding you receive will be a fixed interest rate. The rate will be fixed at the time you submit a valid funding request to the City,

The special tax payment schedule depends on two factors: (i) financial market conditions at the time your valid funding request is submitted to the City and (ii) on-going fees to pay the City's cost of administering the Program. Participants can check the applicable rate of interest on the Program website. The interest is set daily <INSERT information>.]

IX. Repayment Terms; Special Taxes; Foreclosure Terms

Repayment Terms. Upon completion of the project and assent to the tax lien and financing the property owner will be obligated to pay the special taxes relating to the financing on his or her semiannual property tax bill. The timing of funding request will determine when the special tax first appears on the tax bill; if the lien is filed after the tax roll is finalized in a given year then tax payments would not commence until the following year and the

payment schedule would be generated to reflect this timing. The closing documents will indicate the overall term of the repayment schedule, which will reflect the useful life of the improvements being installed.

Special Taxes and Foreclosure. A property owner must pay the agreed-upon special taxes regardless of personal financial circumstances, the condition of the property, or the performance of the Authorized Improvements. Do not apply for financing if you are not certain you can pay the special taxes. **The failure to pay your special tax in full or in part – will result in financial repercussions, including penalties, interest and, eventually, foreclosure of your property by the County Treasurer-Tax Collector.**

If you use an escrow account to pay your semi-annual property taxes, you must notify your escrow company of your special tax payments. You will need to increase your monthly payments to the escrow account by an amount equivalent to your annual special taxes divided by 12 months.

X. Compliance with Existing Mortgages

Recordation of the Notice of Special Tax Lien will establish a continuing lien as security for your obligation to pay special taxes. The lien securing the obligation to pay special taxes will be senior to all private liens, including your purchase mortgage(s). Many mortgage and loan documents limit the ability of a property owner to place senior liens upon property without the consent of the lender, or authorize the lender to obligate you to prepay the senior obligation. **Please confirm with your lender(s) that participation in the Program will not adversely impact your rights with respect to any existing loan documents, or obligate you to prepay your special taxes.** For residential projects, we require you to notify your lender at least 30 days prior to your funding request and to provide us with a copy of your letter. Small commercial and non-residential projects must notify the lender and receive written consent from the lender to participate at the time and in the manner identified by the City. The Program will provide sample language for a lender notification letter.

XI. Transfer or Resale of the Subject Property

If you sell your property prior to the end of the agreed-upon special tax period, the new owner will assume the special tax obligation. Ownership of any Authorized Improvements on the subject property will transfer to the new owner at the close of the real estate sale. Program participants agree to make all legally required disclosures about the existence of the special tax lien on the property in connection with any sale.

XII. Rebates and Taxes

Participation in this financing plan does not reduce rebates available through the state and city solar rebate programs. More information on the CSI program can be found at: <http://www.gosolarcalifornia.ca.gov/> and the Go Solar SF program at <http://sfwater.org/gosolarsf>. Other energy efficiency rebates available from utilities and the State of California would also be unchanged.

Please consult with your tax advisors with respect to the state and federal tax benefits and consequences of participating in the Program.

Neither the City nor the administrator is responsible for the state or federal tax consequences of participating in the Program.

XIII. Changes in State and Federal Law

The City's ability to issue bonds to finance the Program is subject to a variety of state and federal laws. If those laws or the judicial interpretation thereof were to change after you have applied for a funding reservation (and, thereafter, incurred the cost of installation in anticipation of program funding) but before the City issues bonds to finance your funding request, the City may be unable to fulfill your funding request. **The City shall have no liability as a result of any such change in law or judicial interpretation.**

XIV. Releases and Indemnification

You acknowledge that the City has formed the Special Tax District solely for the purpose of assisting the owners of property in the City with the financing of renewable energy, energy efficiency, and water efficiency improvements, and that the City and the administrator have no responsibility of any kind for, and shall have no liability arising out of, the installation, operation, financing, refinancing or maintenance of the Authorized Improvements. You agree that you and your successors in interest to fee simple title in the subject property shall be solely responsible for the installation, operation, financing, refinancing and maintenance of the Authorized Improvements. Participation in the

program does not in any way obligate the City to protect your property's solar access from shading caused by future development. You hereby acknowledge that the subject property owner will be responsible for payment of special taxes regardless of whether the Authorized Improvements are properly installed or operate as expected.

You agree to release, defend, indemnify, and hold harmless the City and the administrator, including their officers, directors, employees and agents, from and against any claims, actions, demands, costs, damages or lawsuits, arising out of or connected with your participation in the Program. [under review]

XV. Changes in the San Francisco Sustainable Financing (SF²) Program Terms; Severability

The City reserves the right to change these San Francisco Sustainable Financing (SF²) Program Terms at any time without notice; however, no such change will affect your obligation to pay special taxes as set forth in the Unanimous Approval. Your participation in the program will be subject to the San Francisco Sustainable Financing (SF²) Program Terms in effect from time to time during your participation.

If any provision of these San Francisco Sustainable Financing (SF²) Program Terms is determined to be unlawful, void, or for any reason unenforceable, then that provision shall be deemed severable from these San Francisco Sustainable Financing (SF²) Program Terms and shall not affect the validity and enforceability of any remaining provisions.

XVI. Disclosure of Property Owner Information

You agree that the City may disclose your personal information to the administrator, and that the City and the administrator may disclose your information to third parties when such disclosure is essential to the conduct of the City's business or to provide services to you, including but not limited to where such disclosure is necessary to (i) comply with the law, legal process or our regulators, (ii) enable the City or the administrator's employees or consultants to provide services to you and to otherwise perform their duties and (iii) obtain and provide credit reporting information. We do not provide your personal information to third parties for telemarketing, e-mail or direct mail solicitation.

In order to receive funding for this program and to enable communication regarding the State of California's rebate program for solar installations, you consent to the release of your name and contact information to the California Solar Initiative operated by Pacific Gas & Electric Co. You further agree to the release of your name and contact information and your property's utility usage data from Pacific Gas & Electric Co. to the City, its grantors and its designated contractors for the purpose of conducting surveys and program evaluation of the Program.

XVII. Fraud

<insert text> [under development]

By signing below, I/We agree to the San Francisco Sustainable Financing (SF²) Program Terms.

Signatures of Property Owners Listed on the Title:

1) Print Name: INSERT PROPERTY OWNER NAME

Signature:
Date:

2) Print Name: INSERT PROPERTY OWNER NAME

Signature:
Date:

3) Print Name: INSERT PROPERTY OWNER NAME

Signature:
Date:

4) Print Name: INSERT PROPERTY OWNER NAME

Signature:
Date:



San Francisco Sustainable Financing

Almost half of San Francisco's greenhouse gas emissions come from energy usage in local buildings. At the same time, excessive water usage in buildings strains California's water resources. Currently, the largest constraint to San Francisco's buildings becoming more efficient in their use of energy and water is the large up-front cost of these improvements. Despite government incentives to decrease the up-front cost for energy and water efficiency projects, as well as solar installations, these improvements still cost several thousand dollars. As a result, many San Francisco building owners find it difficult to make these environmental upgrades to their buildings.

In response to this challenge, San Francisco is developing an accessible financing program that residential and commercial property owners can use to finance sustainable building improvements. This effort has coincided with efforts across California and the United States to establish similar financing programs.

San Francisco Sustainable Financing will be available for interested home and business owners to finance privately-owned energy efficiency, renewable energy and water conservation improvements. The repayment obligation is attached to the property, rather than the individual, and is paid back through property taxes over the life of the financing.

Frequently Asked Questions

How does the program work?

The program will be structured through the establishment of a Citywide Mello-Roos Special Tax District. Owners of individual properties would apply to join the district and, if approved, would file documents authorizing the levy of a special tax against their property. In return for opting into the district and agreeing to pay the special tax over the life of the financing, the building owner would receive funds to pay the up-front cost of the approved improvements.

How does this program differ from loans available from a private lender?

Since the City and County of San Francisco is the lender, the loan is repaid through a special line item on the property tax bill. If the property is sold/transferred, the tax payment obligation will be assumed by the new owner. Standard property sales disclosures will indicate the existence of a tax, so owners will know that they are benefiting from the retrofit improvements at the time of sale and can set their price accordingly.

What types of buildings would qualify for this program?

Residential and commercial buildings of all sizes will be eligible. Project qualification criteria are being developed, and will focus primarily on the scope of improvements proposed, the property's tax and mortgage payment history and the value of the property relative to its outstanding debt.

What projects will the SF2 Program fund?

While the types of improvements that will qualify for the program are still under development, eligible improvements would include energy efficiency upgrades—such as adding insulation, replacing windows, and upgrading heating systems; and water efficiency upgrades—such as installing low flow toilets. Financing will also be available for installation of renewable energy generation on buildings such as solar arrays – in conjunction with energy efficiency improvements.

What will be the amount of increase in a participant's property taxes?

Participants only pay a tax on a fixed payment schedule that over time will defray the cost of their project plus charges for interest and administration. Each individual financing will bear interest at a fixed rate assigned on the date of funding.

For how many years will the participant have to pay the added special taxes?

The special tax payment period will match the expected useful life of the improvements, so the property does not wind up paying taxes in future years where it is not expected to gain the energy or water savings from the retrofit. Therefore the length of time will vary according to the projects installed, up to 20 years.

Can participants deduct the solar financing costs on their income taxes as they do for other property taxes?

Participants will be permitted to deduct the interest component of their solar financing tax, similar to a home equity line of credit or a home mortgage.

How much will a participant save on their electric bill?

Every property is different, and savings often depends on behavioral factors as well as the building improvements. However, home performance energy audits will allow building owners to make an educated projection of their savings in determining whether to apply. The program goal is to utilize the latest analytical tools to structure financings so that a building's utility bill savings from the retrofits will "pay the owner back" for the special taxes paid over the life of the financing.

Can the property owner use any contractor?

The owner will contract directly with a contractor qualified in the work under the retrofit. The City is developing qualification criteria for contractors and energy raters. The program objective is to establish a ready supply of workers skilled in the energy and water projects common to San Francisco building types, with linkages to workforce development programs in an effort to grow our local green economy.

Are there other program requirements?

The City will institute a requirement that participants complete a whole home performance energy audit. The borrower may elect to include the audit in the financing amount to spread that up-front cost over time. Additionally, energy efficiency improvements are required prior to the financing of solar PV projects.

What is the source of funding for the program?

The program will use private capital to fund the retrofits. Grant dollars received for this purpose under the American Recovery and Reinvestment Act will be applied as a targeted public investment to ensure a successful launch of the program and interest rates attractive to as many qualifying projects as possible.

