File No. 100209

Committee Item No. 3
Board Item No. 6

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee BUDGET AND FINANCE Date 3/3/10

Board of Supervisors Meeting Date 3/9/10

Cmte	Board	
☐	☐	Motion
☒	☒	Resolution
☐	☐	Ordinance
☐	☐	Legislative Digest
☐	☐	Budget Analyst Report
☐	☐	Legislative Analyst Report
☐	☐	Introduction Form (for hearings)
☒	☒	Department/Agency Cover Letter and/or Report
☐	☐	MOU
☒	☒	Grant Information Form
☒	☒	Grant Budget
☐	☐	Subcontract Budget
☐	☐	Contract/Agreement
☒	☒	Award Letter
☒	☒	Application
☐	☐	Public Correspondence

OTHER (Use back side if additional space is needed)

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☐	☐	
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Completed by: Gail Johnson Date 2/26/10
Completed by: AG Date 3/4/10

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

FILE NO. 100209 RESOLUTION NO.

[Accept and Expend Grant - American Recovery and Reinvestment Act - $2,080,000]

Resolution authorizing the Department of the Environment to accept and expend a grant in the amount of $2,080,000 from the California Energy Commission's State Energy Program, to provide financial assistance for GreenFinanceSF, the City's municipal financing program for energy and water retrofits of privately-owned buildings.

Note: Additions are *single-underline italics Times New Roman*; deletions are ~~*strikethrough italics Times New Roman*~~. Board amendment additions are double underlined. Board amendment deletions are ~~strikethrough normal~~.

WHEREAS, The City and County of San Francisco (the "City") recognizes that it is vital for local, regional, state, and federal agencies to stimulate the economy; create and retain jobs; reduce fossil fuel emissions; reduce total energy usage; and improve energy and water use efficiency; and

WHEREAS, The City has committed to an ongoing, coordinated effort to reduce the emissions that cause global warming, improve air quality, reduce waste, reduce energy use and save money; and

WHEREAS, The City is committed to reducing these community-wide greenhouse gas emissions by 20% below its1990 levels by 2012; and

WHEREAS, In 2004, San Francisco's Department of the Environment ("SFE") and Public Utilities Commission ("SFPUC") released a "Climate Action Plan for San Francisco" identifying transportation, energy efficiency, renewable energy, and solid waste measures that could achieve significant greenhouse gas reductions; and

WHEREAS, The Climate Action Plan called for implementing energy efficiency programs and projects throughout the City; and

WHEREAS, The Climate Action Plan called for implementing energy efficiency programs and projects throughout the City; and

WHEREAS, This Board of Supervisors further finds and declares that growing population, climate change, and the need to protect and grow the City's economy while protecting and restoring fish and wildlife habitats makes it essential that the City and County manage its water resources as efficiently as possible; and

WHEREAS, Reduced water use through conservation provides significant energy and environmental benefits, and can help protect water quality, improve streamflows, and reduce greenhouse gas emissions; and

WHEREAS, The California Energy Commission's ("CEC") State Energy Program (the "State Energy Program") will provide funds to eligible local governments to assist in the development of financing programs to stimulate the implementation cost-effective renewable energy, energy efficiency and water efficiency projects based on a competitive selection process; and

WHEREAS, The State Energy Program has been funded as part of the American Recovery and Reinvestment Act; and

WHEREAS, The City and County of San Francisco is eligible for funding under the State Energy Program; and

WHEREAS, This Board of Supervisors has adopted legislation necessary to form an opt-in Mello-Roos special tax district and to establish legal mechanisms and policies to govern the implementation of a municipal financing program for retrofits of privately-owned buildings, known as GreenFinanceSF; and

WHEREAS, SFPUC staff, working in conjunction with the Department of the Environment and the Controller's Office of Public Finance, submitted an application for State Energy Program financial assistance on behalf of the City and GreenFinanceSF; and

WHEREAS, On February 10, 2010, the CEC announced the awards under the State Energy Program, which included an award of up to $2,080,000 for GreenFinanceSF; and

WHEREAS, In its Resolution No. 008-10, this Board of Supervisors identified the Department of the Environment as the administrator of the GreenFinanceSF program on behalf of the City; and

WHEREAS, The Department of the Environment will collaborate with SFPUC and the Controller's Office of Public Finance to ensure the successful implementation of the GreenFinanceSF program in general and the expenditure of State Energy Program funds in particular; and

WHEREAS, The City and County of San Francisco has considered the application of the California Environmental Quality Act (CEQA) to the implementation of the proposed GreenFinanceSF program and the utilization of the State Energy Program grant; and

WHEREAS, As described in the GreenFinanceSF application, the program will assist in the financing of energy- and water-saving retrofits of existing structures in conformance with existing building codes; provide incentive payments for qualifying retrofit projects; and monitor and evaluate environmental performance of projects; and

WHEREAS, All projects undertaken with this funding are in compliance with the California Environmental Quality Act (CEQA), California Public Resources Code Section 21000; and

WHEREAS, The term of the State Energy Program grant will be from March 15, 2010 through March 31, 2012; now, therefore, be it

WHEREAS, the grant does not require an Annual Salary Ordinance, therefore, be it

RESOLVED, That this Board of Supervisors hereby authorizes the Executive Director of the Department of the Environment to accept a State Energy Program grant award on behalf of the City, and to enter into all necessary contracts and agreements, and amendments thereto, on its behalf to implement and carry out the GreenFinanceSF municipal financing program project as generally described above and as further detailed in the GreenFinanceSF Application; and, be it

FURTHER RESOLVED, The Executive Director of the Department of the Environment is further authorized to furnish whatever additional information or assurances the funding agency may request in connection with this grant, and to execute any and all agreements necessary to carry out the purpose of the grant.

APPROVED:______________________
For Mayor

APPROVED:______________________
For Ben Rosenfield
Controller

RECOMMENDED:

By: ______________________
David Assmann, Acting Director
Department of the Environment

Office of the Mayor
City & County of San Francisco

Gavin Newsom

TO:	Angela Calvillo, Clerk of the Board of Supervisors
FROM:	Mayor Gavin Newsom
RE:	Resolution authorizing Accept and Expend grant in the amount of $2,080,000 from the California Energy Commission's State Energy Program
DATE:	February 23, 2010

Dear Madame Clerk:

Attached for introduction to the Board of Supervisors is a resolution authorizing the San Francisco Department of the Environment to accept and expend a grant in the amount of $2,080,000 from the California Energy Commission's State Energy Program to provide financial assistance for GreenFinanceSF.

I request that this item be scheduled in Budget and Finance Committee on March 3, 2010. Because of a state deadline, this grant requires a Board of Supervisors resolution no later than March 13, 2010 in order to retain these funds.

Should you have any questions, please contact Starr Terrell (415) 554-5262.

1 Dr. Carlton B. Goodlett Place, Room 200, San Francisco, California 94102-4641
gavin.newsom@sfgov.org • (415) 554-6141

100209

TO: Angela Calvillo, Clerk of the Board of Supervisors

FROM: The Department of the Environment

DATE: 2/16/10

SUBJECT: Accept and Expend State Grant

GRANT TITLE: Municipal Financing Program - GreenFinanceSF

Attached please find the original and 4 copies of each of the following:

_X_ Proposed grant resolution; original signed by Department, Mayor, Controller

_X_ Grant information form, including disability checklist

_X_ Grant budget

_X_ Grant application

_X_ Grant award notification from funding agency website

___ Other (Explain):

Special Timeline Requirements:

The grant was approved on 2/10/10 and the granting entity, the California Energy Commission, requires that San Francisco provide an authorizing resolution with in 30 days from the date of approval or will lose the funds. Since these funds support the launch of the already-approved GreenFinanceSF tax lien financing program for retrofits of privately-owned buildings, bringing with it the stimulation of the City's retrofit industry and the creation of green jobs, it is imperative that the resolution make its way through the approval process as quickly as possible

Departmental representative to receive a copy of the adopted ordinance:

Name: Shawn Rosenmoss Phone:415-355-3746

Interoffice Mail Address:

Certified copy required: Yes ☐ No X

(Note: certified copies have the seal of the City/County affixed and are occasionally required by funding agencies. In most cases ordinary copies without the seal are sufficient).

File Number: ______________________
(Provided by Clerk of Board of Supervisors)

Grant Information Form
(Effective January 2000)

Purpose: Resolution authorizing SF Environment to accept and expend grant funds

The following describes the grant referred to in the accompanying ordinance:

1. Grant Title: State Energy Program – Municipal Financing Programs - GreenFinanceSF

2. Department: Department of the Environment (SF Environment)

3. Contact Person: Shawn Rosenmoss Telephone: 415-355-3746

4. Grant Approval Status (check one):

   [X] Approved by funding agency [ ] Not yet approved

5. Amount of Grant Funding Approved or Applied for: $ 2,080,000.00

6a. Matching Funds Required: Yes $ 2,468,822.00
 b. Source(s) of matching funds (if applicable): Matching funds are being provided through allocations of the City's Energy Efficiency and Conservation Block Grant related to the GreenFinanceSF program. The acceptance and expenditure of these EECBG funds was approved by the Board of Supervisors in its Ordinance No. 002-10.

7a. Grant Source Agency: California Energy Commission's State Energy Program

 b. Grant Pass-Through Agency (if applicable): N/A

8. Proposed Grant Project Summary:

The City has approved all required legislation and is taking final administrative steps to launch GreenFinanceSF, a tax lien financing program financing energy and water retrofits. This program will offer up-front financing to private building owners for qualifying retrofit projects, in exchange for the property owner agreeing to the levy of a Mello-Roos special tax on their property tax bill in amounts sufficient to repay the financing over the life of the improvements. The State Energy Program grant will provide further incentive funds to assist in reducing the cost of these retrofit financings and assist the program in reaching an efficient scale at the earliest possible date. The grant includes funding for the following activities in the following amounts: $1,480,000 in incentive payments targeted to reduce the effective interest rate of the initial set of program financings; $100,000 in incentive payments for projects that employ graduates of the City's workforce development programs; $80,000 in incentive payments for energy performance ratings for buildings owned by economically disadvantaged residents, and $420,000 in additional incentive payments for buildings serving economically disadvantaged residents. **Funds were awarded on February 10, 2010 ~~2020~~ and the CEC requires that all counties participating in the project must provide an authorizing resolution before within 30 days of the funds being awarded.**

9. Grant Project Schedule, as allowed in approval documents, or as proposed:
   Start-Date: March 15, 2010 End-Date: March 31, 2012

10. Number of new positions created and funded:

There will be no new positions created for this project.

If new positions are created, explain the disposition of employees once the grant ends? N/A

12a. Amount budgeted for contractual services: $0

b. Will contractual services be put out to bid?
N/A.

c. If so, will contract services help to further the goals of the department's MBE/WBE requirements? N/A

d. Is this likely to be a one-time or ongoing request for contracting out? N/A

13a. Does the budget include indirect costs? [ ] Yes [x] No
b1. If yes, how much? N/A
b2. How was the amount calculated? N/A

c. If no, why are indirect costs not included?
[ ] Not allowed by granting agency [x] To maximize use of grant funds on direct services
[ ] Other (please explain):

14. Any other significant grant requirements or comments:

****Disability Access Checklist*****

15. This Grant is intended for activities at (check all that apply):

[X] Existing Site(s)	[X] Existing Structure(s)	[X] Existing Program(s) or Service(s)
[ ] Rehabilitated Site(s)	[ ] Rehabilitated Structure(s)	[ ] New Program(s) or Service(s)
[ ] New Site(s)	[ ] New Structure(s)	

16. The Departmental ADA Coordinator and/or the Mayor's Office on Disability have reviewed the proposal and concluded that the project as proposed will be in compliance with the Americans with Disabilities Act and all other Federal, State and local access laws and regulations and will allow the full inclusion of persons with disabilities, or will require unreasonable hardship exceptions, as described in the comments section:

Comments:

Departmental or Mayor's Office of Disability Reviewer: Claudia Molina
(Name)

Date Reviewed: 2/12/~~2001~~ 2010

Department Approval: David Assmann Acting Director
(Name) (Title)

(Signature)

San Francisco Department of the Environment - GreenFinanceSF Loan Buy-Down Program					
Grant from California Energy Commission-State Energy Program					
	Description	Other notes	CEC-SEP	Leverage	Total
PERSONNEL					
Principal Environmental Specialist 5644 Energy & Climate Program Manager	10% FTE	Current Staff Ensure integration with efficiency and climate program services with GreenFinanceSF Match provided through regular staffing duties		$10,777	$10,777
Senior Environmental Specialist 5642-Green Building Manager	50% FTE	Administer the GreenFinanceSF Program -match funded through the EECBG approved by the Board Ordinance No. 002-10		$47,229	$47,229
Outreach Manager 5644	.25FTE	Outreach Match match provided through regular staffing activities		$26,944	
Subtotal Personnel			$0	$58,006	$58,006
Fringe	28%		$0	$16,242	$16,242
Total personnel			$0	$74,248	$74,248
SUPPLIES					
Outreach Materials		Outreach materials to be developed in support of all Tasks provided through regular SFE outreach programs		$42,554	$42,554
Subtotal Supplies				$42,554	$42,554
WORK ORDER					
San Francisco City Attorney's Office	$1600/day	Funds will be work ordered to the City Attorney for legal support-match funded through the EECBG approved by the Board Ordinance No. 002-10		$100,000	$100,000
Subtotal WO			$0	$100,000	$100,000
OTHER					
		GreenFinanceSF incentives, financing, etc match funded through the EECBG approved by the Board Ordinance No. 002-10		$1,930,000	$1,930,000
		GreenFinanceSF incentive payments targeted to reduce the effective interest rate of the initial set of program financings	$1,480,000		$1,480,000
		GreenFinanceSF incentive payments for projects that employ graduates of the City's workforce development programs	$100,000		$100,000
		GreenFinanceSF incentive payments for energy performance ratings for buildings owned by economically disadvantaged residents	$80,000		$80,000
		GreenFinanceSF additional incentive payments for buildings serving economically disadvantaged residents	$420,000		$420,000
SubTotal Other			$2,080,000	$1,930,000	$4,010,000
TOTAL DIRECT COSTS			$2,080,000	$2,146,802	$4,226,802 #
INDIRECT COSTS	15%	Rent, utilities, phones, mail, etc. Match provided through EECBG and regular Dept of Env services	$0	$322,020	$322,020
TOTAL PROJECT (Direct + Indirect)			$2,080,000	$2,468,822	$4,548,822

STATE OF CALIFORNIA—THE RESOURCES AGENCY
CALIFORNIA ENERGY COMMISSION
1516 NINTH STREET
SACRAMENTO, CA 95814-5512

ARNOLD SCHWARZENEGGER, *Governor*

NOTICE OF PROPOSED AWARD
SEP Municipal Financing Program
PON # 400-09-401

Proposed Contractors:
- Sacramento County
- County of Humboldt
- City & County of San Francisco
- County of Sonoma
- City of Los Angeles***

Total Amount of Proposed Contracts:
$30,176,912***

Final Scores and Rankings

Company	Final Score	Ranking	ARRA Funds Requested
Sacramento County	310.33	1	$ 16,499,050.00
County of Humboldt	301.67	2	$ 4,384,349.00
City & County of San Francisco	297.67	3	$ 2,080,000.00
County of Sonoma	295.67	4	$ 2,537,000.00
City of Los Angeles	280.67	5	$ ~~4,999,500.00~~ $ 4,676,513.00***

Santa Barbara County	244.33	*	$ 2,611,000.00
County of Los Angeles	242.00	*	$ 13,500,000.00
Mendocino County	210.33	*	$ 2,893,000.00
County of Marin, Community Develop Agency	200.33	*	$ 2,953,245.00
City of Yucaipa	189.00	*	$ 7,500,000.00
County of Santa Clara	187.33	*	$ 2,000,000.00

City of Irvine	104.67	*	$ 2,000,000.00
County of Orange	0.00	**	$ 2,000,000.00
Western Riverside Council of Governments	0.00	**	$ 20,000,000.00
City of San Bernardino	0.00	**	$ 2,750,000.00
Placer County	0.00	**	$ 3,220,617.00

* Did not meet the Minimum Technical Score of 280 points.
** Proposal disqualified prior to technical evaluation.
*** Energy Commission is unable to fund the full amount of the lowest ranked proposal and is offering the lesser amount for award. Award is contingent upon acceptance of the lesser amount by the bidder.

Questions should be directed to: Rachel Grant, Contract Officer
California Energy Commission
1516 Ninth Street, MS-18
Sacramento, CA 95814
(916) 654-4379

Dated: February 10, 2010
Expires: February 22, 2010

Program Opportunity Notice #400-09-401

San Francisco Sustainable Financing Program

Application for ARRA SEP assistance for a Municipal Financing Program

Volume II – Technical Program, Cost Proposal and Appendices

A. Table of Contents – Volume II

B. Program Title

This application seeks support for the San Francisco Sustainable Financing Program (referred to as the SFSFP or the Program), currently under consideration by the Board of Supervisors of the City and County of San Francisco (the City). This proposal seeks financial assistance for the SFSFP over the initial $10 million of Program financings, though as further described below the City's intention is to continue the Program for so long as there is a market for this financial option.

C. Executive Summary

1. Policy Background

The initial set of pilot property-assessed clean energy (PACE) financing programs around the state has demonstrated the ability of cities and counties to administer retrofit initiatives. These programs, though, have utilized a single lender at a time. This approach constrains the potential of these programs, as there are limits to the amount any one investor will risk in the performance of a single city's retrofits, no matter how large that city is.

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, which attracts even more financing capital and continues the cycle.

2. Program Objective and Strategy

The San Francisco Sustainable Financing Program (referred to in the application as the SFSFP, or the Program) represents a comprehensive attempt to build just such a market-based financial engine. While previous programs across the nation have provided access to just-in-time financing of projects as they are completed or have aggregated a number of such financings into a bond sale, none thus far has been able to bridge the gap between the two approaches. The SFSFP has been developed to link the two, and do so in a way that utilizes the existing municipal bond market to create a scalable, sustainable program that can grow retrofit demand.

The SFSFP seeks to achieve this objective through a contractual relationship with a financial and administrative partner that has agreed to fund each approved project as it is completed in exchange for the right to receive the special taxes paid by the property owner. Each of these individual financings is referred to in the application as a microbond. Once a sufficient amount of these microbonds has been issued, the Program and its consultants will collaborate to aggregate and resell those microbonds to the wider bond market. The proceeds of that remarketing would be used to replenish the commitment of the partner to finance further projects as they are completed, again backed by the promise of a remarketing.

Through the utilization of project and property underwriting criteria and systematic approaches to stimulating cost-effective retrofits the Program will be able to further convince the bond market of the value of this investment at each remarketing. Over time this dynamic will decrease the SFSFP's borrowing costs and will ensure a competitive financing option.

3. Related Strategies

Just as some automobile engines are built for speed and others for power, PACE financial engines can be calibrated to encourage certain types of projects. The SFSFP engine will be calibrated to create a new market for "House as a System" energy ratings within the City. The Program terms and conditions will phase in a requirement of such energy audits as a condition to funding, and will require a loading order of efficiency improvements in connection with the financing of solar PV systems. This design will foster the combination of more expensive renewable energy improvements with cost-effective energy and water efficiency measures to produce more sustainable building resource consumption profiles at minimum cost.

Further, in the same way that a car's engine powers not just the drivetrain but also the electrical system and the air conditioner, the market-based SFSFP engine will power a number of related initiatives to deliver on the promise of the new retrofit economy. For example, city, state and national governments are investing heavily in developing the green collar workforce, but without a durable linkage to job creation those efforts will not be able to deliver on their promise. The SFSFP will generate needed demand for these workers. Similarly, there are many building sectors, such as those serving economically disadvantaged areas, which do not have the resources they need in order to achieve beneficial improvements to their properties. The SFSFP will target technical assistance and incentives to stimulate successful retrofit projects in these sectors.

Through the thoughtful integration of its primary financial strategies with related initiatives such as these, the SFSFP will create a new dynamic of project viability and workforce development linkages for the new retrofit economy, transforming the market and unlocking the value of retrofits across all of the economic and social sectors affected by such a program.

4. Funding Sources

a. ARRA SEP Municipal Finance Program

Because City policymakers have supported a broad effort to establish the Program over the past several months, legislation establishing the SFSFP is already under consideration at the City's Board of Supervisors. Therefore the Program is primed to use ARRA SEP funding for actual implementation, rather than requiring additional funding for startup or other district formation costs. Accordingly this application seeks $1,480,000 for interest rate buy-downs, $100,000 for incentive payments linked to hiring of workforce development graduates, $80,000 for incentive payments for income-qualified residents seeking energy audits, and $420,000 for targeted financial assistance of building retrofits serving economically disadvantaged communities within the City.

b. Leverage funding

As described in the application, the Program will require participants to maximize all available rebates, incentives and other funding sources in order to stretch the Program's funding over the largest possible set of projects. Therefore this application identifies a number of direct sources of leverage. These include the private financing arrangements with the Program's financial partner, state and local solar incentives, energy efficiency incentives and EECBG-funded programs totaling $14,402,693 in investment in addition to the requested $2,080,000 of ARRA SEP funds over the initial $10 million worth of Program financings.

5. Energy Savings and Job Creation

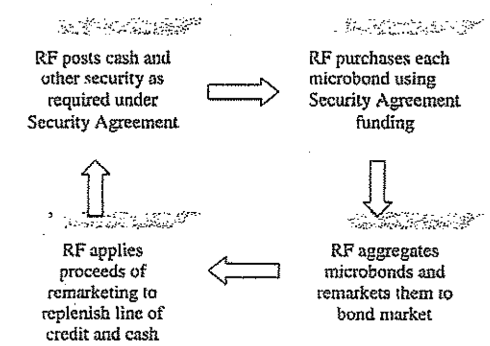
As further described in the application, the initial $10 million of SFSFP financings will create 179.2 jobs and will save the equivalent of 5,374,167 kWh of energy. However, these metrics do not fully describe the value of this proposal. By establishing a market-based financing engine that can continue to power the retrofit economy beyond the exhaustion of public funding this Program will create jobs and save energy well beyond the effects of its first $10 million of projects. In addition, by serving as a model for other market-based programs around the state the SFSGFP can encourage the development of a competitive market for the capitalization of further programs, magnifying the benefits that any single program can provide on its own.

D. Program Design/Evaluation Criteria

1. Financing Plan

Under a competitive solicitation the City selected Renewable Funding, LLC (Renewable Funding) as its financial and administrative partner for the initial implementation of the Program. This section summarizes the agreements between the parties in the form in which they were submitted to the City Board of Supervisors on December 15, 2009. The Board will likely consider this legislative package for approval in January 2010.

As described in the Executive Summary, the Program has been structured in an effort to combine "just-in-time" loan funding with a bond remarketing effort that, if successful, could create a model for similarly situated programs around the state. This model is illustrated in the diagram below:



This section first provides a summary of the Program financial structure over the initial $10 million of Program financings, followed by responses to the specific questions posed in the Program Opportunity Notice.

a. Program Structure

As set forth in the Executive Summary, Program staff has designed a financial engine to generate cost-effective capital from the municipal bond market. This engine cycles in four steps: establishment of the initial microbond purchase commitment; issuance of the program microbonds; aggregation and remarketing of the issued micobonds; and recapitalization of the microbond purchase commitment. These steps will proceed as follows.

i. Initial bond purchase commitment

To begin the process Renewable Funding will form a single-purpose entity, likely a limited liability company (the Purchaser), which will be the vehicle by which a bond funding an individual project (each, a microbond) will be purchased and remarketed. The Purchaser will enter into a Bond Purchase Agreement and a Security Agreement to establish its responsibilities with respect to its purchase of Program microbonds. The Security Agreement will require the deposit of security for the performance of Purchaser's microbond obligations, in some combination of a line of credit with appropriate draw terms in the name of Purchaser, and the deposit of cash subject to a control agreement by which the Program can be assured that the funds will be available solely for purposes authorized under the Security Agreement. This deposit will also include any and all fees anticipated to be payable on the line of credit during its term, to provide further assurance as to its continued availability through the term of the Security Agreement. The Purchaser and the financial resources described above will be in place prior to Program launch. The initial amount of the microbond purchase commitment (both line of credit and cash) shall be not less than $5,000,000, subject to replenishment upon remarketing as set forth in subsections iv and v below.

ii. Microbond issuance

The Bond Purchase Agreement will call for the Purchaser to purchase each microbond as it is approved and issued, utilizing the cash and line of credit resources referenced in the Security Agreement. The process will proceed as follows.

First, Program applications will be screened according to the Program terms and conditions by Renewable Funding in its administrative role. While a portion of the costs to administer such a review will be paid by the City using EECBG and other funds, a portion of these costs (likely $300) will be charged to the project applicant. The decision to impose some portion of this administrative cost on the applicant has been made in part to demonstrate the applicant's commitment to follow through on its application; this fee can be rolled into the financing amount and reimbursed to the applicant upon completion of the financed project.

As project applications are approved and projects are completed, each project sponsor will file a unanimous consent to the special tax lien. This lien will be established according to the terms of the Bond Purchase Agreement, which will call for the fixed interest rate on each microbond to be set at a level allowing for a future remarketing of the microbond at its par amount. The microbond pricing approach will be finalized based on market conditions at the time of Program launch. As further described below, negotiations with Renewable Funding indicate that the microbond interest rate will float from day to day in the approximate range of 7.0% to 8.5%, with additional capitalized and ongoing Program costs adding approximately 100-110 basis points (1.0% to 1.1%) to the effective interest rate borne by the participant, depending on final negotiations. These costs include the following:

Program activity	Approximate Capitalized Cost (basis points)
Loan origination and project verification	15.4
Funds disbursement	3.1
Data and document management	2.1
Legal document preparation	14.4
Closing – bond counsel review	14.4
Lien recordation	4.1
Financial modeling and payment schedule	14.4
Remarketing: underwriting and legal fees	25.7
Treasurer –Tax Collector administration	5.7
Special tax administration	1.1
Transfer/Paying agent	0.5
Ongoing disclosure	1.1
Total	102.0

As so determined, such interest rate will be used to set a repayment schedule for the microbonds, with the schedule set by amortizing the investment in each individual improvement comprising the project over the useful life of such element. Improvements with a five year useful life will be amortized over five years, ten year improvements financed over ten years, and so forth up to 20 years. This will avoid situations where future owners are paying for projects from which the property is no longer benefiting. Instead, this approach ensures that the special tax amount will decrease over time as the various components of the project reach the end of their respective useful lives.

iii. Microbond aggregation and remarketing

As noted above, the objective of the SFSFP is to gain access the wider bond market to gain the liquidity and borrowing cost benefits of a diversified pool of financial support. Ultimately the goal is to reach a scale and a diversity of borrowers that would allow the Program to obtain a credit rating and have its debt traded on a more regular basis. However, the novelty of this type of program and its legal structure will require a measured approach at the program's outset to set the stage for the kind of growth necessary to reach these long-term aims.

The Security Agreement will establish several mechanisms to assist in reaching bond remarketing and fund replenishment. First and foremost, the Security Agreement will include covenants by the City to support a remarketing of microbonds initially purchased by Purchaser, subject to the discretion of its Board of Supervisors and applicable law. These covenants will include cooperation in developing disclosure documents to accompany such a sale of bonds and in executing the bond sale itself. In recognition of these covenants the SFSFP team has identified Program and grant funds to pay for these remarketing costs.

In addition, the Security Agreement between the Program and the Purchaser will require the deposit of funds into a remarketing reserve account jointly controlled by the parties for each microbond purchased. The amount per microbond will be set as a percentage of each bond amount, and will be held in escrow to demonstrate that Purchaser will have the liquidity to remarket the microbonds as agreed even if market conditions at the time would result in a discount to the sale price.

The Security Agreement between the Program and the Purchaser will set forth the process for pursuing a remarketing. The parties agree that remarketing makes the most financial sense when the aggregate principal amount of the bonds to be remarketed is sufficient to spread the fixed costs of a remarketing in an efficient manner. With that in mind, the Security Agreement has been structured around a target remarketing principal amount of $3,000,000. The Purchaser can choose to remarket the bonds sooner if market conditions permit, so long as the Purchaser is able to achieve its recapitalization obligations in a timely manner as described below.

iv. Recapitalization

The parties agree that a successful remarketing will carry with it many benefits for the Program, in terms of demonstrating to the banking community the limited risk of holding Program microbonds between initial purchase and remarketing. Therefore the Security Agreement will require the Purchaser to provide a further $5,000,000 of bond purchase capacity within 90 days of receiving notice from the Program as described in Section II.D.1.A.iii above. This capacity would be additional to the $5,000,000 provided at the outset of the Program (for a total of $10,000,000). The provision of such added purchase capacity will likely take the same form as the initial capacity (i.e. some combination of cash and a line of credit) and is referred to below as Recapitalization.

The parties anticipate that a successful remarketing will allow Purchaser to repay and replenish the line of credit used to make the initial microbond purchases. Aside from the funds realized directly from the remarketing itself, the parties expect that the establishment of a viable remarketing model will encourage Purchaser's line of credit bank (and others, potentially) to increase its exposure to the interim purchase of microbonds. The parties expect that these factors should allow Purchaser to establish the additional microbond purchase capacity needed for Recapitalization.

The SFSFP team acknowledges that the market surrounding the financing of this type of Program is rapidly evolving at the same time as there are several initiatives at the federal and state level that may provide subsidies or more advantageous methods of financing this type of program. These initiatives include tax credits, federal guarantees or tax exemption, all of which may reduce the cost of the Program debt. The parties have structured the agreements to include flexibility to adjust the financing cost and approach based on Program performance and the availability of more advantageous funding structures. In any event, the approach described above will serve as the foundation for the Program's successful implementation on a sound financial basis.

b. Responses to Questions

i. Will Bidder contract with a bank or other lender to issue financing for each property owner?
Response: Yes, the SFSFP will contract with Purchaser to issue financing for each property owner. The Security Agreement will call for Purchaser to provide specific evidence of its ability to fulfill its financing obligations, as described above.

ii. What is the status of the Bidder's financial commitments with lenders regarding the proposed program?
Response: The SFSFP has negotiated a bond purchase agreement and the Security Agreement with Renewable Funding and the Purchaser. These agreements have been submitted to the City's Board of Supervisors for consideration and approval, and are likely to be heard in January 2010. Renewable Funding represents that it has sufficient resources and has had sufficient discussions with line of credit banks to provide confidence in its ability to fulfill its obligations if and when the agreements are approved and the Program approaches its launch date.

iii. For financing offered to property owners:

A. What interest rate will be offered to property owners?
Response: As noted above, the effective interest rate borne by SFSFP participants will vary according to the microbond pricing approach being negotiated between the Program and Renewable Funding, and to the application of EECBG or ARRA SEP funds to reduce that interest rate. The Program anticipates that the Program's underlying market-based interest rate will range from 8.0% to 9.6%. This rate will be finalized closer to when the first financings are approved, to make sure there are no changes in the program credit outlook between now and the launch of the program. This rate is an "all-in" rate, and includes the underlying microbond interest rate (a range of 7.0% to 8.5%) plus payment of certain capitalized and ongoing Program costs (100-110 basis points). The Program anticipates using ARRA SEP funds to buy down the interest rate, as described further herein.

B. Is the interest rate fixed or variable?
Response: The interest rate is fixed through the life of the financing. The fixed rate applicable to Program financings will be set according to an interest rate index plus a spread as of the date funds are drawn, as negotiated by the Program and Renewable Funding. The Program and Renewable Funding will set the initial interest index and spread before Program launch, and that rate approach will be subject to a reopener by either the City or Renewable Funding (i) within 180 days of Program launch or the initial remarketing of Program bonds, whichever comes first and (ii) whenever the reference index rises to a level where the Program rate exceeds what the parties agree at the outset to be the maximum marketable rate (the specific index trigger will be set in view of the interest buy-down subsidies available or expected at Program launch, including but not limited to ARRA SEP funds). The intent of this reopener is to allow the parties to agree on an adjustment to the SFSFP interest rate to reflect Program and bond market performance during the initial rollout.

C. Will property owners be charged any fees to apply and/or participate in the Program?
Response: The SFSFP will charge a fee of $300 per application. This fee may be included in the financing amount and reimbursed at project completion at the election of the property owner.

D. What are the program's minimum and maximum financing amounts?
Response: The minimum financing amount is $5,000. The maximum financing amount is $50,000, though this limit may be waived for larger projects that demonstrate cost-effectiveness, subject to funding availability.

E. How long are the financing payback terms?
Response: The payback term will vary according the scope of work under each application, as the repayment schedule for each microbond will be set according to the useful life of each element of the project. Improvements with a five year useful life will be financed over five years, ten year improvements financed over ten years, and so forth up to 20 years.

iv. If bonds will be issued:

A. What will be the source of interim financing?
Response: The Bond Purchase and Security Agreements with Renewable Funding/Purchaser will be the source of interim funding until the microbonds can be aggregated into a remarketing transaction.

B. How many bond issues has the bidder participated in? Describe two or three of those relevant issues, the bond rating, and your role.
Response: City staff is well acquainted with the municipal bond issuance process in general, and the issuance of Mello-Roos bonds in particular.

The Controller's Office of Public Finance (COPF) has played a key role in the development and negotiation of the SFSFP financing approach. COPF manages the City's debt portfolio, currently rated at AA-/Aa2/AA for general obligation bonds and A+/A1/AA- for general fund-supported lease financings. COPF has managed $534.8 million in issuance volume during calendar year 2009.

In recent years the COPF has also managed the following Mello-Roos bond issuances by the Association of Bay Area Governments Finance Authority for Nonprofit Corporations on behalf of the City:

- ABAG Finance Authority for Nonprofit Corporations
  Community Facilities District No. 2006-2
  (San Francisco Mint Plaza Area)
  Special Tax Bonds, Series 2007A
  $3,270,000
  Not Rated

- ABAG Finance Authority for Nonprofit Corporations
  Community Facilities District No. 2006-1
  (San Francisco Rincon Hill)
  Special Tax Bonds, Series 2006A
  $5,825,000
  Not Rated

- ABAG Finance Authority for Nonprofit Corporations
  Community Facilities District No. 2004-1

(Seismic Safety Improvements - 690 and 942 Market Street Project)
Special Tax Bonds, Series 2007A (Taxable)
$11,000,000
Not Rated

C. What is the anticipated dollar amount at which the financing will go to a bond sale?

Response: The parties are targeting $3,000,000 as the threshold amount to trigger a remarketing of bonds initially purchased by the Purchaser.

v. Will financing coincide with other existing or potential energy efficiency and renewable energy incentives (i.e. California Solar Initiative, utility rebates, and tax incentives)?

Response: Yes. The Program will require that participants apply for any and all applicable incentives, to limit the total debt incurred under the program and to leverage the quality assurance and oversight mechanisms implemented by those incentive programs for the benefit of the City's home retrofit industry and its customers. See Section II.B.3 below.

vi. Has the Bidder ever filed for bankruptcy?

Response: No.

vii. What funds and resources, if any, is the program proposing to leverage with the ARRA SEP funds?

Response: The Program is seeking to leverage an array of EECBG funds, local incentives and workforce development initiatives that will contribute to a comprehensive approach to the challenge of establishing a new retrofit economy within the City. For further discussion see Section II.D.3 below ("Leveraged Funds/Resources").

viii. How does the Bidder's program propose to transition to self-sufficiency after the cessation of ARRA SEP funding?

Response: The SFSFP transition strategy is focused on keeping borrowing costs low to allow the program to provide a competitive, scalable, market-based option even after the cessation of ARRA SEP funding. The key task in keeping SFSFP borrowing costs low is to stimulate financing demand and to establish a diverse portfolio of special tax payers that will allow the program to achieve a favorable bond rating. Such a credit rating in turn will lower borrowing costs (as compared to the initial, unrated credit alone) and will allow for regular debt issuances which will similarly reduce the fixed costs of each financing. These decreased costs would address all or a portion of the interest rate subsidy lost upon the exhaustion of the Program's ARRA SEP dollars.

2. Uses for Energy Commission Funds

Over the past two years the City has devoted staff time and other resources necessary to develop its approach to the SFSFP and to submit legislation authorizing its establishment for consideration by the City Board of Supervisors in January 2010. Because of these efforts, legislation establishing the SFSFP is already under consideration at the City's Board of Supervisors. Therefore, as noted in the Executive Summary, the Program is in the advantageous position of seeking ARRA SEP funding to prime the SFSFP financial engine for full ignition, rather than requiring additional funding for startup or other district formation costs.

By making the Program offering more attractive to potential participants the Program would reach a critical mass of borrowers sooner, demonstrating the viability of its market-based funding structure and the creditworthiness of the Program as a bond credit. In so doing the SFSFP would be able to progress

toward more competitive borrowing terms that will be based on the Program's market fundamentals rather than continued public financial support.

Therefore, the City's SEP MFP funding strategy seeks **$1,580,000** to reduce borrowing costs for the initial phase of program participants. Also, the SFSFP seeks an additional **$500,000** to reduce barriers to entry for targeted economically disadvantaged residents and organizations serving economically disadvantaged areas within the City, for a combined total funding request under this application of **$2,080,000.**

a. Incentives to encourage the successful rollout of the SFSFP

This application describes the many benefits that will flow to SFSFP and the City from the robust development of an energy rating and retrofit market in the City. To that end, this application seeks $1,580,000 in SEP MFP-funded incentives for all City building owners to participate in the Program and to employ graduates of the City's workforce development programs on the associated projects, as further described below.

i. Interest rate buy-down ($1,480,000)

Property tax-based financing programs may appeal to borrowers for reasons aside from the cost of borrowing, such as the attachment of the repayment obligation to the property in the event of a sale. However, for many borrowers the offered interest rate and its related effects on the projected cost effectiveness of the proposed project may make the difference between pursuing a retrofit and delaying it. In recognition of this dynamic the SFSFP proposes allocating $1,480,000 of requested SEP MFP funds to interest rate buy-downs for qualifying projects.

(Note: this application uses the terminology of "interest rate buy-down" to reflect an application of funds to lower a participant's effective borrowing cost, including potentially the funding of capitalized costs or ongoing administrative payments that have the same beneficial effect on the participant's repayment schedule. The Program has discussed various particular approaches to achieving a reduced effective interest rate with its partners and with City policymakers and will determine the specific vehicle to apply ARRA SEP funds upon award.)

As described in Section A.3.a above, current negotiations with Renewable Funding indicate that the initial microbonds will bear a total effective interest rate of 8.0% to 9.6%. An interest rate buy-down of 200 basis points would create a potential range of 6.0% to 7.6% for the participant's effective interest rate, with 6.5% the likely target based on current market conditions. This range and target is generally reflective of (though more favorable than) the interest rates charged under the successful Berkeley and Sonoma programs, the best available comparables in terms of projecting demand for Program financings. Therefore the Program team believes that this buy-down will greatly spur uptake of the Program offering in the early months of its operation.

The specific up-front cost of a 200 basis point interest rate buy-down will vary according to the performance of the microbond pricing index, the size of the project and the term of the financing. Therefore this application seeks $1,480,000 for this aspect of the SFSFP, reflective of the cost of a 200 basis point interest rate buy-down associated with $10 million worth of financings with the microbond interest rate that would have existed as of December 16, 2009. To the extent the underlying factors change over time these funds may allow for such buy-downs to be spread over a larger or smaller set of financings, though the amount is not expected to vary widely.

ii. Workforce development incentives ($100,000)

As noted in Section A.4 below ("Workforce Development and Job Creation") one of the primary objectives of the SFSFP is to establish a durable linkage between the City's workforce development programs and the growth in the City's retrofit market sought by the Program. To that end, this application seeks an additional $100,000 to fund rebates of up to $500 for project applicants who can demonstrate at the time of funding that a graduate of a City workforce development program worked on their project. The City has experience with this type of incentive through the successful application of a similar innovative approach under its GoSolarSF program. The specific regulations regarding the amount and type of work performed by the graduate, the size of the incentive and the manner in which the work will be documented will be developed in conjunction with the City's Office of Economic and Workforce Development, in view of the experience of the city's Green Skills Academy and CityBuild programs in generating a supply of such graduates available to perform work on City retrofits.

b. Assistance to the economically disadvantaged

This application seeks additional funds in the amount of $500,000 to assist in bringing the benefits of affordable energy ratings and cost-effective retrofits to homes and other buildings serving economically disadvantaged populations within the City. As further described in Section II.G below, the program will initially set a threshold of 150% of area median income for access to the benefits described below, in an effort to address a need within the City complementary to existing programs targeting lower income levels.

i. Reducing financial barriers - energy rating rebates ($80,000)

The program seeks an additional $80,000 to encourage access to the benefits of energy ratings for the full spectrum of City residents. These targeted rebates of $400 (or the cost of the rating, whichever is less) would be available for at least the first 200 applicants qualifying under the income standards set forth above.

As noted under Section II.D.4 below ("Leveraged Funds/Resources"), the EECBG-funded Community Resilience program funds rebates of up to $1500 in respect of energy ratings and completed projects, but only upon completion of the applicable retrofit. Economically disadvantaged property owners are often unable to float the potential benefit of such a rebate for the time it takes to complete the project. Therefore, this application seeks the amount set forth above to fund rebates to income-qualified building owners at the time of the rating, to bolster the demand for house-as-a-system energy ratings as well as the general understanding of the potential for cost-effective retrofits at buildings that are otherwise disadvantaged economically. These rebates would be payable upon the applicant's demonstration of his or her income qualifications and the submission of a copy of the rating invoice and report. At that time SFSFP and City staff would review the findings of the energy assessment and the specifics of the applicant's eligibility situation in order to provide the applicant with guidance as to the range of potential financing mechanisms available to the proposed retrofit, as further described in Section II.G below.

ii. Reducing financial barriers – Additional interest rate buy-downs for targeted participants ($420,000)

The program seeks an additional $420,000 for additional interest rate buy-downs for buildings serving income-qualified individuals, as further described below. The SFSFP team intends to apply this pool of funds flexibly, depending on the quantity and content of interest in the Program from the different types of targeted buildings as the SFSFP is rolled out.

A. Interest rate buy-downs for qualifying single family homeowners

For qualifying single-family residential applications, the subsidy will initially be targeted at an interest rate buy-down of an additional 300 basis points for income-qualified applicants who are not eligible for more attractive borrowing options under other programs. When combined with the general Program buy-down referenced above, this added buy-down is targeted to provide an interest rate roughly comparable to the 3% offered by the CalHOME program to qualifying borrowers as descried in Section II.G below, though without the advantageous repayment-upon-sale provisions of that program. By adding this layer of subsidy the SFSFP team hopes to create more cost-effective retrofits for this income sector, providing cash flow benefits sooner and unlocking the value of the SFSFP for a wider range of City homeowners.

B. Interest rate buy-downs for residential and commercial buildings and community facilities serving economically disadvantaged communities

In addition, the SFSFP would also like to encourage retrofits of buildings serving economically disadvantaged communities within the City.

As noted in Section II.G below ("Economically Disadvantaged Areas") the City is submitting a separate ARRA SEP application for funding a revolving loan program to stimulate private financing of deed-restricted affordable multifamily housing retrofits. This lending approach has been identified due to the challenges these buildings present to a tax lien financing approach, with their often complex senior debt structures and split incentives between the building owners and the residents paying their own utility bills. However, the program would also like to provide assistance and prove the benefits of retrofit financing for a range of buildings serving economically disadvantaged populations. These include market rate multifamily residences (primarily apartment buildings), commercial buildings, and community facilities housing nonprofits and other social ventures.

It is this last category, community facilities, that has prompted the most Program-related analysis to date. In recent months City staff have worked with the Low Income Investment Fund (LIIF), a community financial institution based in the City, to identify potential economically disadvantaged sectors where cost-effective retrofits could be stimulated. LIIF in turn has produced a data analysis relating to multifamily housing and non-multifamily community facilities, entitled "San Francisco Community Facilities Energy Retrofit Demand and Sensitivity Analysis" and attached as Appendix A to this application (the LIIF Study).

In particular, the LIIF Study asserts that community facilities in particular may reflect the flip side of the considerations that militate against including affordable multifamily housing in a tax lien financing structure. A significant proportion of the community facilities buildings LIIF studied were subject to high utility bills paid by the building owner and a similarly high proportion of buildings with no (or easily adaptable) mortgage debt.

If the ARRA SEP award is approved Program staff would review existing data relating to energy ratings at community facilities studied by LIIF. Then, based on the findings of that review, the Program would be in a position to allocate additional ARRA SEP funding under this Section to subsidize further work to assess potential retrofit benefits at these and other buildings and provide further interest rate buy-downs to create a financing package that would allow these building owners to pursue projects and attain cash flow benefits beyond that offered by the private market.

The objective of this approach would be to systematically determine criteria for pursuing further assessments and targeted subsidies that would unlock the benefits of retrofits for this typically hard to reach building sector. The lessons learned by this approach would then be combined with the results of the Affordable Multifamily Housing Initiative described in Section II.G below in an effort to tailor financing structures that unlock the value of retrofits for these and other building sectors serving economically disadvantaged populations within the City.

3. Leveraged Funds/Resources

The SFSFP is designed to leverage a number of existing and planned City programs that provide outreach to residents, incentive funding for energy and water retrofits sought under the Program. These funds will be used to make more City residents aware of the benefits of SFSFP funding through coordination of outreach among the affected City programs and to make Program financings more attractive in terms of their cost-effectiveness based on the building owner's reduced repayment obligation.

In addition, this section notes certain other complementary programs that will assist the program in meeting its goals of bringing beneficial retrofits to all building sectors in the City and developing a trained City workforce that can enjoy the benefits of the market transformation stimulated by the Program and these related initiatives. While these programs do not meet the definition of leverage set forth in the PON the Program team feels it is important to note them as part of the City's integrated strategy to deliver on the promise of the SFSFP.

a. Sources of Leveraged Funds and Resources

The SFSFP sources of leverage for the purpose of this application are as follows:

Source of Leverage	Leverage Amount
EECBG	
SFSFP	$ 616,000
SFE Community Resilience Program	1,552,822
SFE Heating Systems Program	300,000
Renewable Funding – financing agreements	10,000,000
Program application fees	140,400
Solar Incentives	
CSI	1,029,600
GoSolarSF	763,871
Total	$14,402,693

i. Energy Efficiency and Conservation Block Grant (EECBG) Funds

The City's Board of Supervisors has adopted an accept and expend resolution authorizing the use of the City's EECBG funds as set forth in the City's application filed with USDOE. The City's Energy Efficiency and Conservation Strategy filed in support of the EECBG program identified several uses that complement the current SEP MFP proposal. Therefore the risk of achieving this leverage is limited, and stems primarily from ensuring communication and integration across the different administrative platforms. The EECBG tasks relating to the SFSFP are as follows:

A. SFSFP-controlled funds

The City has allocated **$616,000** of EECBG funds to the SFSFP. These funds are under the control of the SFSFP and will be used to pay a majority of the up-front costs in establishing and implementing the

Program. These costs include consultant fees (Renewable Funding, financial advisor and special tax consultant) as well as legal fees of bond counsel (Jones Hall) and the city attorney.

In the absence of ARRA SEP funds for the purposes set forth in this application the remaining portion of the EECBG allocation would be used to fund communications and outreach activities, pay administrative costs associated with the remarketing of the initial tranche of SFSFP microbonds and to fund targeted incentives for workforce development linkages and benefits for economically disadvantaged populations within the City. If the ARRA SEP funds are awarded these EECBG funds will be repurposed towards technical assistance and analytical work in coordinating the strategies to reach economically disadvantaged populations.

B. SFE Community Resilience Program funds

The City has also allocated an additional **$1,552,822** to the Community Resilience Program administered by the City's Department of the Environment (SFE). The Community Resilience Program includes outreach activities providing energy retrofit information to City neighborhoods and rebates for energy audits and completed projects. SFE staff has been integrally involved in the development of the SFSFP, and the Energy Conservation Strategy filed along with the EECBG application includes a commitment to coordinate these activities. All of these activities support the Program's defined goal of fostering energy ratings and cost-effective retrofits, and so this entire amount is identified as leveraged for purposes of this application.

C. SFE Heating Systems Program funds

The City has allocated an additional $2,453,149 to SFE's Heating Systems Program. The Heating Systems Program focuses on the potential natural gas cost savings from retrofitting, rehabilitating and/or replacing boilers and heating infrastructure in multi-unit residential buildings. SFE anticipates funding approximately 133 projects under this allocation during the life of the EECBG-funded program. In consultation with SFE, Program staff projects that approximately 20 heating systems projects would finance their construction costs (net of incentives) during the initial phase of the Program covered by this application. Therefore for purposes of this application staff assigns **$300,000** (the proportional amount of those subsidies) as the leveraged amount for purposes of this application.

ii. Renewable Funding Financial Support

The City has negotiated agreements with Renewable Funding to provide **$10,140,400** in funding for the administration and purchase of SFSFP microbonds. The financial agreement terms have been submitted to the City's Board of Supervisors and Mayor for approval. Upon the approval of the program and the Security Agreement, the City will have contractual rights to the funds described above as well as oversight over their expenditure. Therefore the level of risk in securing this leverage is low, and is managed through the deposit of cash and other assurances as detailed in the Security Agreement.

The amount set forth above includes $140,400 realized from the $300 application fee anticipated to paid to Renewable Funding in connection with the 468 projects projected in Section II.F below. These fees will defray costs of issuing the microbonds and administering the Program.

iv. Solar Incentives – CSI and GoSolarSF

A. California Solar Initiative

The California Solar Initiative (CSI) offers financial incentives for solar installations based on the expected performance of a given solar installation. The expected performance is derived from the size of the solar array, and also takes into consideration the angle and location of the system installation. For larger systems, the incentive is based on the actual performance of the system over the first five years.

The incentive level available to a given project is determined by currently available incentive in each utility territory for each customer class. Using the Energy Commission's Clean Power Estimator tool we estimate that the 468 City projects that could be funded by the program would draw up to **$1,029,600** in CSI funds based on current program terms. However, it should be noted that the CSI is designed to step down over time and this amount may vary further according to the actual scope of funded projects.

B. GoSolarSF

Under the GoSolarSF program the SFPUC has allocated electricity sales revenues to provide an incentive payment to City residents who install solar photovoltaic panels on their buildings. These funds are controlled by the SFPUC and are subject to the availability of funding through the annual budgeting process.

The SFPUC has budgeted $9,500,000 in GoSolarSF funding since the program's inception in fiscal year 2008-2009. Currently the program application volume is approaching the limit of its funding and eligibility is currently limited to low-income applicants. As of December 4, 2009, $4,002,141 of GoSolarSF funding had been spent, with $4,733,988 reserved and $763,871 applied for but not yet reserved. While the projects with reservations may indeed avail themselves of SFSFP financing once the program is implemented in early 2010, this application assumes a more conservative approach that the $763,871 of funds not yet reserved is the appropriate leverage amount. Any additional GoSolarSF incentive amounts and/or the continuation of the program in future years are subject to further budgetary approvals. Therefore the risks to achieving this leverage lie in project coordination and outreach, such that the applicants for these funds are aware of the benefits of an SFSFP financing. Risks in future fiscal years will include the budget process and the availability of funding for GoSolarSF on a going forward basis.

SFPUC staff and SFSFP staff are committed to a "one-stop shop" application process under which information is shared between programs and eligibility for each is determined as efficiently as possible. SFSFP staff will also provide outreach to GoSolarSF contractors to assist in their utilization of this new potential financing option as a complement to the incentives.

b. Statements as to commitment and integration

Each of the funding sources noted above are either legally authorized only to pay costs of the SFSFP (e.g. the SFSFP EECBG funding, the Renewable Funding bond purchase and security agreements) or are available to pay costs relating to eligible energy and water retrofits of private buildings (e.g. the SFE EECBG programs, GoSolarSF, SFPUC water conservation rebates, CSI). Therefore the program has a high degree of confidence that these sources will be made available as described herein. The City agencies administering the fund sources listed above as well the complementary programs described below have all played direct roles in the development of the SFSFP and look to it as a means to integrate all of these disparate sources of assistance into a package that allows the private dollars of the building owners to fill the gaps to create a comprehensive retrofit strategy for a range of targeted building sectors.

c. Other complementary resources

While not meeting the criteria for leveraged funds under the PON, it deserves mention that the Program will leverage a number of other complementary City initiatives to achieve its objectives.

- ARRA SEP CRBR. The City is participating in two additional ARRA SEP applications under the Comprehensive Residential Building Retrofit program. While these funding sources are too speculative to include as direct leverage for purposes of this application, if such funding are secured the Association of Bay Area Governments regional proposal and the lessons learned from the Affordable Multifamily Retrofit Initiative will each bolster the Program's efforts to evolve into a more effective financial tool fostering deep retrofits in buildings throughout the City.

- SF Energy Watch. SFE's SF Energy Watch program is funded through CPUC public goods charge funds and has provided millions of dollars in outreach and project support over the years of its operation. It is expected that Energy Watch funds will be available to further stimulate implementation of retrofits by building owners seeking utility bill savings. However, the new Energy Watch funding contract is under negotiation and may be affected by regulatory processes at the state level, and so the SFSFP team felt it was too speculative to identify an amount for purposes of leverage under this application. As with the other activities listed in this section, SFE's leadership role in the SFSFP will ensure that Energy Watch activities will be integrated with the SFSFP strategy in an effort to reach the shared aims of the two programs.

- SFPUC Water Conservation Section (WCS). The WCS works with residents, businesses and municipal departments to educate and help recognize the importance of using water wisely. Through a variety of water saving programs and incentives, the WCS has helped conserve millions of gallons of water a year. The incentives administered by the WCS include payments for the installation of high efficiency toilets (HETs) and urinals (HEUs) at residential and commercial buildings, which are eligible for financing under the proposed Program. As the program will require that applicants apply for and obtain all available incentives as a condition to drawing Program financing, available HET and HEU incentive amounts will leverage the Program and ARRA SEP dollars funding each project to provide additional conservation benefits to building owners. In addition, the Program team has discussed with WCS the desire to coordinate its water efficiency assessments with Program outreach in order to ensure potential applicants are aware of all of the potential improvements in advance of deciding on the scope of their Program-financed project.

- Weatherization Assistance Program. The project demand generated by the ARRA-funded Weatherization Assistance Program will stimulate the development of further related project capacity within the City labor force.

4. Eligible Improvements

a. CEC-approved measures

The following improvements will be eligible for SFSFP financing.

i. Second Tier of Comprehensive Residential Building Retrofit Program

1. Install Attic Insulation (pull permit and comply with T-24 retrofit insulation R-value)
2. Insulate Un-Insulated Walls (pull permit and comply with T-24 field verification)
3. Install Floor Insulation (pull permit and comply with T-24 field verification)
4. Complete Building Envelope Sealing (pull permit, comply with T-24 field verification)
5. Complete Duct Sealing (pull permit and comply with T-24 field verification)
6. Replace near end of useful life air conditioner or furnace with CEE qualifying model (pull permit, comply with T-24 refrigerant charge, airflow and duct sealing verification)
7. Replace near end of useful life water heater with CEE model (solar water heating)
8. Install Cool Roof when reroofing (pull permit and comply with T-24 alterations reqs.)
9. Install Radiant Barrier (pull permit and comply with T-24 criteria)
10. Install Energy Star Windows (pull permit and comply with T-24 alterations reqs.)
11. Install WaterSense Toilets, Showerheads, Landscape Irrigation Controllers (to the extent they can be deemed to be improvements to real property)

ii. Third Tier of Comprehensive Residential Building Retrofit Program

1. Correct Thermal Barrier Defects, assisted with blowerdoor and IR camera
2. Correct Duct Leakage, assisted with ductblaster
3. Correct Insulation Defects, assisted with blowerdoor and IR camera
4. Correct Combustion Safety Hazards (to the extent such corrective measures can be deemed improvements to real property)
5. Correct Air Conditioner and Furnace Installation Defects, assisted with refrigerant charge gauges and airflow devices (to the extent such corrective measures can be deemed improvements to real property)
6. Install PV System that is well integrated with energy efficiency

iii. Municipal and Commercial Targeted Measure Retrofit Program

To the extent these measures can be classified as improvements to real property, the following will also be eligible for Program financing:

1. Occupancy Sensored Lighting Fixtures
2. SMART Parking Lot Bi-Level Fixtures
3. SMART Parking Garage Bi-Level Fixtures
4. SMART pathway Lighting
5. SMART Wall Pack Fixtures
6. Bi-Level Stairwell Fixtures
7. Task Ambient Office Lighting
8. Task Ambient Desk Lamp
9. Classroom Lighting
10. Refrigerator Case LED Lighting with Occupancy Sensors
11. Lighting Controls
12. Wireless
13. Simplified Daylighting

14. Kitchen Exhaust Variable Air Volume Controls
15. HVAC Controls & Fault Detection
16. Wireless – constant volume to variable air volume system conversion
17. Fault Detection for Packaged Units and Air Handlers

b. Additional measures

The SFSFP team recognizes the value of providing financing for a wide range of energy and water efficiency improvements that have demonstrated cost-effective energy savings in past applications. In that spirit the Program team would work towards developing an appropriate project eligibility review process with Energy Commission staff in order to allow ARRA SEP funds to benefit the full array of energy efficient technologies sought by Program participants. In furtherance of that process, the Program team initially proposes the following measures for eligibility for Program participation and related ARRA SEP funding at the commencement of the SFSFP.

i. CPUC Database for Energy Efficient Resources (DEER)

The following measures have been identified as part of the DEER database of energy savings measures. As noted on the DEER website (www.deeresources.com), these measures are "commonly implemented" and have demonstrated cost effective applications in such settings. These measures would only be eligible to the extent they constitute improvements to real property.

1. Whole house fans
2. Nonresidential building envelope/roof insulation
3. Ductless heat pump/HVAC system
4. Residential HVACHigh-efficiency hot water boiler

ii. USDOE Federal Energy Management Program (FEMP)

The following measures have been identified as part of the FEMP database of energy savings measures. As noted on the FEMP website (http://www1.eere.energy.gov/femp/index.html), FEMP-designated products are not specific products. FEMP does not purchase, recognize, endorse, or otherwise identify specific products for Federal procurement. Instead, FEMP identifies required purchasing specifications and performance requirements for a category of products in their common applications, which is typically an energy consumption level within the upper 25% of the product category. Accordingly, the SFSFP would seek approval for these measures to be added to the eligibility list should the Program be awarded SEP ARRA funding.

1. Air filtration systems with Energy Star qualification
2. Bathroom fan with Energy Star qualification
3. Ceiling fan with Energy Star qualification
4. Furnace ventilator fan with Energy Star qualification
5. Ground source heat pump with Energy Star qualification

iii. Other measures

The SFSFP proposes the following additional measures for consideration by the CEC. Program eligibility would be limited to those measures constituting improvements to real property

A. Rainwater harvesting

Rainwater harvesting is the collection and storage of rainfall from roofs. Stored rainwater can be used for non-potable purposes such as toilet flushing, irrigation, or vehicle washing. Systems can range from a single rain barrel to multiple tanks with pumps, treatment systems and controls. While rainwater harvesting clearly offsets demands for potable water, it is also an effective method for reducing stormwater runoff, again reducing the City's costs and energy demands of transporting and treating such flows.

B. Greywater irrigation systems

Greywater is wastewater generated from residential activities such as dish washing, laundry and bathing. It excludes toilets and kitchen sinks. Graywater makes up 50-80% of residential wastewater. Graywater is applied below the surface of the soil where it is treated by coming into contact with the bacteria in the soil. Previously considered a nuisance, greywater has been reframed as a valuable resource. Ecological benefits of greywater recycling include a reduced demand on potable supplies; reduced energy and chemical use for wastewater treatment, enhanced plant growth, groundwater recharge, and topsoil nutrification.

There are several components of greywater systems that can be classified as improvements to real property, including internal and external plumbing retrofits (new pipes and fixtures, most common and perhaps most fundable is the three-way valve for laundry to lawn), filters and treatment systems, pumps, and irrigation systems. All of the listed improvements are highly replicable and can be certified by nationally recognized industry organizations. Graywater has been implemented on a limited scale throughout the state due to onerous permitting requirements. Recent state legislation has provided simplified requirements for compliance which will presumably result in a wider application of these systems.

Implementation of a greywater irrigation system will offset a building's demand for potable water and wastewater treatment services. This will result in utility bill savings to the owner as well as energy savings to the SFPUC in removing transportation and treatment energy demands for the avoided potable water and wastewater services.

C. Green/vegetated roofs

Vegetated roofs, also known as green roofs, eco-roofs, or living roofs, are vegetated roof systems installed on a building in place of a conventional roof. Vegetated roofs increase the insulation and energy efficiency of a building, reduce noise and assist a builder to comply with local stormwater regulations. Other benefits include capturing air pollution and carbon dioxide, cooling ambient air, aesthetic improvements and creating wildlife habitat.

There are several components of vegetated roofs that can be classified as improvements to real property, including a root barrier, waterproof membrane, filter fabric, storage system, engineered soil system, irrigation and drainage system, gutters and leaf screens, and overflow systems. These roofs have demonstrated effectiveness in a number of different settings. The city of Portland, Oregon currently pays incentives to its customers who implement vegetated roofs, each of which Portland staff estimates treats 50% of the total rainfall that falls on a green roof through evapo-transpiration. The energy savings in terms of removing these stormwater flows from the overall municipal transport and treatment system therefore is an added energy benefit beyond the specific savings to the implementing building owner.

D. Energy storage systems

City staff has evaluated the potential effectiveness of energy storage systems in bolstering the effectiveness of intermittent solar PV generation for use in reducing the City's peak load. These benefits have been weighed in conjunction with its ongoing administration of the GoSolarSF program, the development of applications for other ARRA funding opportunities and the ongoing efforts to close fossil-fueled peaking power generation within the City.

Program staff believes that such systems are potentially beneficial in a number of applications throughout the City. In particular, these benefits include a significant increase in the effectiveness of solar PV panels, by increasing the usable power the solar array provides by time-synchronizing the solar output with the on-site load. This increase in usable power directly translates into increased efficiency as well as a reduction in generation requirements and losses during the day. Similarly, energy storage is an essential element to increasing the efficiency of the grid and needs to be placed as close to the load point as feasible. This relieves stresses and losses throughout the system and reduces GHG generation as well as costs to end customers.

iv. Strategy for increasing the uptake of whole house approaches within one year of award

As noted in Sections II.D.5 and II.D.6 below, on or before January 1, 2011 the Program will phase in a requirement that project applicants obtain a whole-house energy rating as a condition to approval, as well as requiring applicants to fund at least a 20% improvement in the building's modeled energy efficiency in connection with financing the installation of solar photovoltaic systems.

The Program represents a flexible tool to stimulate private investment in emerging energy efficiency strategies, and this flexibility can present new opportunities in the rapidly evolving field of energy and water retrofits. Therefore, if after Program launch financing demand indicates that a particular improvement not listed above could provide cost effective energy and/or water savings and assist in further integration of deep building retrofits, Program staff will evaluate the inclusion of such measure(s) into the list of eligible improvements. To that end the Program will work with CEC staff to establish review criteria and an approval process to determine if such measures may be added to the list of measures eligible for Program and ARRA SEP financing.

5. Loading Order

On May 13, 2008 in its Resolution No. 227-08 the City's Board of Supervisors adopted the State's energy priorities, including the pursuit of energy efficiency before renewable energy. In acknowledgement of those priorities and the similar findings of the Home Energy Retrofit Coordinating Committee (HERCC) the Program team has incorporated this loading order as a foundation of its Program strategy. Key among these findings is the recommendation that a building's load be reduced before sizing a rooftop solar array or other renewable energy system to serve the remainder. This will lead to less expensive projects and greater cash flow benefits for the home or business owner.

To that end, the Program terms will include a requirement that an applicant complete at least a baseline level of energy efficiency improvements as a condition of financing on-site solar electricity generation. The initial Program requirement will be a 20% reduction in energy use based on the "Building Performance Institute or equivalent" standard or, if and when it becomes available, the HERS II standard.

As further explained in Section II.D.6 below, the SFSFP will finance projects that do not include a energy rating report up until January 1, 2011, so long as any such application that includes a solar PV system also includes the following prescriptive measures (the Alternate Path Measures):

- Air Sealing
- Attic Insulation
- Insulate the Hot Water System
- Combustion Appliance Safety Testing
- Installation of a combined carbon monoxide and smoke alarm.
- Water Conservation Measures
    - Install showerheads with rating of 2.5 gpm or better
    - Install faucet aerators with rating of 2.2 gpm or better

While not as targeted as work determined by a "House as a System" rating report would be, this approach does provide for a certain level of efficiency work to be completed ahead of the more expensive renewable energy system, thus reinforcing the Program's desired loading order as it transitions toward its more permanent arrangements.

The City reserves the right to adjust the percentage energy reduction required under either the BPI Path or the HERS Path to any amount in excess of the 10% sought under the SEP Guidelines. Any such adjustment would be made in connection with a finding that the adjustment is in the best interests of the Program based on its experience in achieving successful projects and transforming the retrofit market.

6. Home Energy Ratings, Energy Audits and Building Commissioning

a. Single Family Residences

As described in Section 3.c. above, the Program will require single-family residential projects to satisfy the requirements of the third tier of the California Comprehensive Residential Building Retrofit Program. All such projects seeking energy improvements will be required to achieve the "House as a System" approach outlined in the third tier through the use of the HERS II standards on and after the HERS Availability Date defined below. Prior to that date, a project will be able to qualify for financing by utilizing either the HERS II or BPI standards to achieve the "House as a System" principles outlined in the CRBR program.

The Program intends to utilize the HERS II index for residential buildings once HERS II-approved HERS providers and certified HERS raters are present in the region in numbers sufficient to support the robust uptake of SFSFP financing. In the interim, the SFSFP will pursue a two-pronged transition strategy to ensure an appropriate loading order on projects financed through the Program as the City builds its rating capacity. The Program team has developed this initial strategy with an eye towards balancing the overall Program objective of encouraging cost-effective project scoping with the financial benefits that the Program can realize from a rapid rise in scale in its early months.

A. BPI Path

The City currently has a limited number of certified BPI and Home Performance with Energy Star raters available to provide their services at project launch. Therefore in an effort to begin orienting project applicants toward the rating approach that the program will require after the implementation of HERS II, the first prong of the initial loading order strategy will utilize the Home Performance with Energy Star, BPI or equivalent rating system as a proxy for the forthcoming HERS II standard.

B. Alternate Path

Imposing the BPI Path requirement with no alternative would likely constrain the Program from reaching an efficient application flow in its early stages. As the City grows its supply of qualified raters and installers there needs to be a way to invite the interested home and business owners with beneficial project ideas to seek Program financing even if the demand for raters exceeds supply. Similarly, once a project application is approved the funding for that financing is effectively set aside for that project. If the limited pool of qualified specialists slows down the retrofits the Program's financing capacity could be strained.

With this in mind the program team designed an Alternate Path that would be available through January 1, 2011. The program team viewed this as a reasonable period of time to require for appropriate training in the various disciplines necessary to comply with the BPI Path or the HERS Path, as applicable. Under the Alternate Path, a project would be able to obtain financing for an on-site renewable energy installation by performing the Alternate Path Measures listed in Section II. D. 5 above prior to any draw of Program funds. These measures were selected based on accessibility and overall cost-effectiveness, utilizing HERCC recommendations as well as those of SFPUC water conservation staff.

C. HERS II Path

The Program will publish notice and conduct related outreach with contractors when the Program Administrator determines that the HERS II program rating and certification standards have been implemented and the adoption of such standards would not unreasonably slow the growth of the program or otherwise adversely affect the Program's development. On and after such date (the HERS Requirement Date) the program will require a HERS II rating and the loading order requirements will be assessed using the HERS II standards.

b. Multifamily Residential Buildings

The City through SFE is committed to determining appropriate rating and building commissioning standards in the multifamily building sectors. In particular City agencies are working with Enterprise Community Partners (Enterprise) as it refines a protocol for conducting an investment grade audit that will address energy and water consumption, and health and environmental factors. The protocol is currently being tested in the field, including in preparation for the Affordable Multifamily Housing Initiative described in Section II.G below, and is subject to modification based on the results of this work.

The Enterprise protocol is designed for the multifamily affordable housing sector and the particularities of this sector's building systems. The protocol includes an inspection of all common areas, all systems, roof areas, mechanical rooms, basements, recycling areas, and landscaping, as well as minimum of 10% of the units (reflecting a mix of unit types). In addition, all building owners are requested to provide to the inspection team documents such as as-builts (to the extent available), operations and maintenance logs, manuals and systems information, meter locations and areas they cover and pest management protocols and products.

The audit will include the following components:

- written narrative that describes the project's existing conditions, capital needs, and recommendations for energy and water conservation measures (EWCMs) and green measures (GMs)
- Energy modeling that depicts the savings in utility use and dollars that result from implementing the EWCMs

- Description of the methodology and assumptions used in the energy modeling
- Cost estimates for the EWCMs and GMs
- Cost/benefit calculations that include a simple payback analysis, savings to investment ratio, and a life cycle cost analysis

The energy audit will include a detailed analysis of energy and water utility data consistent with the standards in the BPI Technical Standards for Multifamily Building Analysts. The goal of the energy and water utility data analysis is to review the current performance of the project and to provide a baseline for EWCM recommendations.

Upon completion of the audit, owners will have in hand a package of recommended improvements that will create energy and water efficiency in a cost effective manner.

C. Commercial buildings

Commercial projects seeking SFSFP funding for energy efficiency or renewable energy improvements will be required to provide the report under an energy rating protocol approved by SFE under its San Francisco Energy Watch program or by PG&E under its public goods charge-funded efficiency program(s) in San Francisco. An applicant may also offer an audit that qualifies under ASHRAE Level 3. As noted above, an objective of the City team is to utilize the growth in retrofit demand under the program to help develop and establish accepted industry standards for rating the commercial building sector.

7. Property Qualifications

The SFSFP 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 meeting the challenge of creating a more sustainable energy and water economy.

In furtherance of that objective the SFSFP will require documentation and analysis of certain underwriting criteria to enable the program to identify whether a property can support the proposed retrofit investment. The SFSFP team believes that these criteria are appropriate in light of the program as a whole, including the project underwriting criteria which include the requirement of systematic analysis and a loading order to achieve cost-effective utility bill savings that will alleviate some or all of the repayment burden under the financing.

The Program anticipates applying the following criteria to screen properties for Program eligibility:

- All persons listed on title as owner must be listed on the application and agree to terms.
- No countervailing title or mortgage restrictions.
- The value of the property must exceed the sum of all private debt secured by the property plus the principal amount of the proposed financing.
- All-in tax rate (i.e. ad valorem taxes, fixed assessment liens, maximum special taxes, other taxes charges and liens, plus the proposed SFSFP special tax) must not exceed 2% of the home's value.

- The proposed financing evidences a 10:1 ratio between the home's value and the principal amount of the financing.
- All property tax obligations paid on time over the preceding three years.
- No property tax liens for failure to pay any taxes (not just property taxes) over the preceding three years.
- No mechanics liens over $1000 (subject to some discretion if the applicant can demonstrate a legitimate reason for the dispute giving rise to the lien and a path for its resolution).
- No notices of mortgage-related default filed against subject property; if Program becomes aware of mortgage-related notices of default on other property owned by same owner the Program reserves the right to deny approval as well.
- No record of bankruptcy in the last seven years.
- No other civil court filing recorded against the property indicating a failure to make payments in respect of the property.

In each instance in these criteria where the home's value is referenced, the Program will evaluate both the home's assessed value on the tax roll as well as recent sales prices of comparable homes. If both the assessed value and comparable value satisfy the test, the test is deemed satisfied. If both fail the test, the test is deemed failed. If one of the values satisfies the test and the other does not, the program reserves the right to request additional information before a final determination is made on the satisfaction of the referenced criterion.

8. Legal Considerations

The SFSFP is being established under the authority of the City's Special Tax Financing Law, Ordinance Nos. 196-08 and 216-09. Together these ordinances utilize the City's home rule powers to modify the state Mello-Roos Community Facilities District law to authorize the formation and operation of a special tax district along the lines set forth above. This approach reflects that taken by the Berkeley FIRST program.

On November 22, 2009 the City's Board of Supervisors adopted resolutions of intent to form the special tax district (Resolution No. 464-09) and to incur bonded indebtedness (Resolution No. 465-09). The resolutions set January 12, 2010 as the date for the public hearing on the formation of the special tax district. The package of legislation forming the special tax district and authorizing the issuance of debt was submitted to the Board of Supervisors for its consideration at its December 15, 2009 meeting, and may be adopted by the Board of Supervisors on or after the January 12 public hearing. Based on support from policymakers through the approval of the Special Tax Financing Law ordinances and the resolutions of intent the SFSFP is expected to win approval after due consideration of the particulars by the Board of Supervisors and the Mayor.

Program legal advice is provided by the City Attorney, which has retained the law firm of Jones Hall as outside counsel. Chris Lynch has been an active partner in evaluating the legal approach to the program on the firm's behalf, and has indicated the firm's willingness to deliver an unqualified legal opinion upon approval of the requisite Board of Supervisors legislation. Based on this advice the Program does not currently anticipate seeking a judicial action to validate the district's formation.

To the extent the Program application review reveals any specific mortgage provisions bearing on the voluntary acceptance of the priority special tax lien, the satisfaction of such provisions will be a condition to financing. In the absence of direct requirements the program's default rule will be for commercial projects to obtain consent from their mortgage lender(s), while residential projects will be required to provide written notice to their lender(s) with a copy to the Program.

9. Sustainability/Lasting Changes in the Market

The SFSFP represents a valuable tool in achieving USDOE's SEP goal of accomplishing lasting changes in the energy retrofit market. In addition, as a model and market-maker for other similar programs around the state, the success of the SFSFP financial engine will jump start the effort to meet California's aggressive Energy Action Plan goals.

a. Financial sustainability

The approach to the SFSFP described herein provides a great deal of confidence that the Program will be sustainable past the date upon which ARRA funds are exhausted. In particular, the market-based financing structure described in Section A.3.a above does not require further infusions of public dollars in order to continue its activities: all incremental Program costs can be rolled as needed into future financing arrangements, allowing the Program to be maintained with a minimum of public support in the form of policy direction and administration of related service and financial agreements.

The Program's future financing volume will no doubt depend in part on the competitiveness of its market-based interest rates, and so the allocation to Program participants of costs currently paid from ARRA sources may reduce financing demand. However, Program staff notes several countervailing factors that will make future financing terms more favorable, thus contributing to the Program's expectation that it will continue to be a viable and valuable program to stimulate retrofit demand even in the absence of additional grant funding.

First, the Program's demonstration of the viability of its financial model (i.e. the interim purchase of microbonds by Renewable Funding and the subsequent aggregation and remarketing of such bonds in a negotiated sale) is intended to gather additional interest from potential financial partners. This interest will hopefully in turn generate more competitive terms for providing interim financing for microbond purchases with the knowledge that the Purchaser would be able to successfully remarket that debt should it become advisable to do so. Similarly, by applying ARRA funds to defray startup costs and build an initial portfolio of borrowers the Program will demonstrate its overall creditworthiness to credit rating agencies in particular and the generally conservative municipal bond market at large.

Together these factors will allow for increased competition among sources of program capital, which in turn will provide more competitive interest rates even before the impact of any future subsidies or targeted investments is considered. Thus it can be seen that the program structure and its fundamental economics combined with the startup funding from EECBG and ARRA SEP sources together produce a winning strategy towards implementing a sustainable Program.

(Note: the SFSFP is not a revolving fund, in that repayments of the Program financings will be used to pay debt service on program bonds purchased by private entities rather than being retained and redeployed for further financings. Therefore this section does not include responses to the revolving loan questions in the PON, though responses to the related questions of interest rate setting and recapitalization can be found in Section II.D.1 above.)

b. Lasting changes in the retrofit and employment markets

As described in this proposal, the SFSFP financial engine is designed to power a comprehensive strategy for bringing the multifaceted benefits of a robust investment in improvements to the City's building stock in terms of its consumption of energy. The stimulation of demand for trained energy raters and for contractors skilled in deploying modern efficiency measures within the City is intended to create a robust

market for such services in the City. This increase in supply will create competition that will drive down costs, improve customer service, and foster innovation in implementing effective retrofits throughout the City.

In the same way, the establishment of the linkage between the outreach and training provided for the City's workforce development efforts such as CityBuild and the Green Skills Academy and the contractors offering work in these trades is intended to create a viable and durable path for City workers to improve their skills and find success in the employment market. Creating and keeping those jobs and the related dollars within the City represents a lasting win-win for the Program, the City and its residents.

10. Regional Approach

The SFSFP's scope is countywide, reflective of its legal authority that relies on San Francisco's unique status as both a county and a charter city. While the program may not extend to other counties, the size of the San Francisco market combined with the cohesion provided by the implementing public agencies all residing under the single City administrative umbrella create a unique opportunity for success in this innovative endeavor. Further, the dense urban population pattern of the City provides opportunities across a range of building types and economic strata, which can be instructive both for further Program development but also for a wide range of communities across the state.

The City includes a population of approximately 845,559 (California Department of Finance estimate as of January 1, 2009). Owner-occupied units represent the primary target for the initial Program rollout; the United States Census Bureau estimated that there were 359,923 such units in 2008. As noted below in Section II.D.13, the number and type of projects pursued will determine how quickly and in what manner the initial $10 million of financings covered by this application will be expended. The rough estimate of 468 projects would represent a penetration of a mere 0.13% of the total owner-occupied units within the City. However, should the Program reach its goals of sustainability and scalability as outlined in this application the expectation is that this Program could penetrate a much more significant portion of the overall City market, including commercial buildings, in a very short time. For example, the City has set $150,000,000 as the initial total principal amount of financing capacity for the special tax district. This amount represents 0.1% of the total assessed value of the City, and as such Program staff sees this as a reachable goal for the initial 24 months of the Program as its benefits become more widely understood and larger and more complex projects are evaluated and brought forward for appropriate financial analysis. While these projections are speculative, SFSFP staff believe that the Program's sustainability will create confidence throughout the retrofit-related financial, contractor, and consumer markets.

As noted in Section II.G below, the Program is focusing a significant portion of its efforts on penetrating economically disadvantaged communities in the City. Building owners in these areas are anticipated to have more challenging financial situations and in some cases may not qualify for Program participation despite the full array of targeted outreach, financial incentives, and technical assistance. However, SFSFP staff believes that the Program assistance outlined in this application will allow the Program to overcome these obstacles and reach a level of penetration in these areas that is comparable to those in relatively more affluent areas within the City.

11. Verification of Energy Savings

The Program intends to employ several strategies for determining estimated and actual energy savings from its financing activities.

The first of these strategies stems from the energy rating and loading order requirements that will be phased in over the initial months of the Program (and further stimulated with incentives under this proposal and the EECBG programs described above). The Program will require submission of "test out" results from the energy rating, for its own recordkeeping but also to demonstrate the required improvement in building energy efficiency as described in Section A.3.e above. These records will allow Program staff to aggregate an estimate of energy savings going forward. In terms of actual energy savings the Program terms will require participants to authorize the Program to obtain pre- and post-retrofit utility bill information from Pacific Gas and Electric, the City's provider of electricity and natural gas. The Program will maintain these records in a manner designed to give some sense of energy savings resulting from the retrofit, though this analysis cannot isolate building factors from behavioral ones.

City staff has reported occasional difficulties in procuring utility bill information in connection with other programs, and so the program is evaluating other avenues to ensure participant assistance with City verification efforts as well as ARRA SEP program evaluations. One potential strategy would be to establish some participant benefit as an incentive for such cooperation. For example, the existence of Program-related special taxes must be disclosed as part of a building's sale disclosures, but such disclosures only tell the negative part of the Program's story as it relates to the building in question. If the Program were able to document pre- and post-retrofit energy consumption changes through utility bill information with the assistance of the participant, the Program could issue a report documenting the energy savings resulting from the retrofit project as compared to the energy consumption patterns before the project. That document in turn could be used to demonstrate for prospective purchasers the ongoing positive value of the Program project, and thus provide a more complete picture of the Program's effect on the building.

This approach has not been fully vetted, but we welcome the opportunity to explore this and other options for a successful verification of estimated and actual energy savings with CEC staff upon the announcement of an ARRA SEP award to the SFSFP.

12. Participant Recruitment and Communication

The education and communication marketing program for the SFSFP will be an aggressive, multi-targeted program utilizing a variety of communication mediums, all of which will be chronologically timed. The specific goals of the outreach program are to:

- inform the public of the program and the options available to them;
- recruit participants;
- educate participants about the recommendations for energy improvements to their buildings; and
- encourage participants to follow the State's loading order and use whole-house retrofits, both in conjunction with the Program and otherwise.

SFPUC and SFE communications staff will cooperatively manage and execute this outreach and communication program. To achieve these goals, staff will partner with City agencies and organizational stakeholders and utilize varying methods of communications for different target audiences. Except where noted, these activities will be paid for with EECBG funds as described in Section II.D.a.i.A above.

a. Applicant Communication and Recruitment

Once the Program details are finalized, likely in January 2010, the SFSFP (in conjunction with Renewable Funding in its administrative role) will launch a detailed 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 eventually include the ability to file application information online.

Prior to the official launch of the Program, SFPUC and SFE staff will host a series of workshops in the community. These workshops represent an opportunity to present information, engage in dialogue, and establish connections between applicants, contractors, laborers 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 media and direct mail. Concurrent with the mailings and newspaper advertisements, the SFPUC will create a basic informational brochure to advertise, educate and recruit for the program. This brochure will offer specifics about the program, the types of upgrades and improvements that are covered by the program and how this fits in with the State's loading order.

Lastly, the SFE Community Resilience Program described in Section II.D.3.a.i.B includes funding for community-based organizations to bring retrofit-related information door-to-door in targeted economically disadvantaged neighborhoods. The opportunity to present a range of beneficial options in an individualized environment will prove a valuable complement to the large scale meetings in these same areas.

b. Contractor outreach

SFE and SFPUC staff have previously demonstrated that effective communications with the contractor community can leverage these market participants into effective recruiters for program participation. At the same time, SFSFP staff wants to provide ample information to allow the market of contractors to transition to the desired energy rating and loading order eligibility requirements of the Program. Therefore, as a separate initiative, SFE with the assistance of SFPUC and Renewable Funding will facilitate a number of contractor outreach sessions leading up to and following Program launch. These will educate contractors on Program terms, the application process, funding of projects, and related issues. This training will also be developed as a webinar or similar on-demand resource to enable refreshment of SFSFP knowledge among contractors. Participation in this aspect of Program training will be a prerequisite for contractor qualification under the Program.

c. Ongoing communications

Once the SFSFP launches, the Program information will be bundled into a citywide educational road show. SFPUC and SFE staff will meeting with citizen groups to talk about energy efficiency and renewable energy. The San Francisco Sustainable Finance Program will be a large portion of that presentation. These efforts will be additive to the website communications and webinar efforts described above, all in an effort to keep the program and its benefits "top of mind" for City residents, workers, contractors and building owners.

13. Program Cost Effectiveness

a. Calculation of source BTUs saved per $1000 of ARRA SEP funding requested

As set forth below in section II.F, the SFSFP team estimates that will provide a total of 5,374,167 kWh of energy savings or equivalent over the first $10 million of Program financings. Therefore, the cost effectiveness calculation relative to this request of ARRA SEP funds proceeds as follows:

5,374,167 kWh x (10,239 BTU/kWh) = 55,026,095,513 source BTUs

55,026,095,513 source BTUs, divided by $2,080,000 of requested ARRA SEP funds, multiplied by $1,000, yields **26,454,853 source BTUs per $1000 of ARRA SEP funds** spent under this proposal.

b. Appropriateness of request and amount

This proposal represents an appropriate investment of ARRA SEP funds because of the Program strategy of scalability and sustainability. By seeding the SFSFP with these funds now the Energy Commission will assist the Program in building to a cost-effective, marketable scale more quickly, securing the added benefits of market-based financings for the general population of building owners at limited public cost. This approach can then serve as a model for similar programs elsewhere, and the self-sufficiency of the market-rate portion of the Program in turn would allow the federal, state and City governments to target their future assistance towards more hard-to-reach building sectors. As described in Section II.G below this ARRA SEP proposal will also demonstrate the program's ability to be a flexible platform for the delivery of those types of targeted benefits to economically disadvantaged communities within the City.

14. Quality Assurance/Conformance with California Law

The Program team recognizes that the Program's success depends on its ability to deliver on its promises of energy and utility bill savings, as well as customer satisfaction in terms of the workmanship on alterations of what is often a person's most valued asset. With that in mind the Program will use several methods to ensure installations are performed in a high-quality manner and in accordance with California law.

206

In terms of general compliance with building and planning codes, the Program terms will require that permits are provided for every job as required under state and local law as a condition of funding. Each contractor will have to file the appropriate paperwork as a requirement for any financing draw, and must also show evidence of its good standing with the California State License Board.

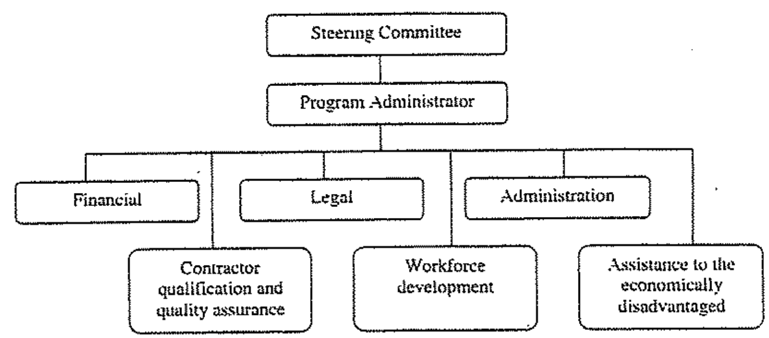
The Program will also seek to achieve the highest standards of workmanship under the evolving best practices in the deep home retrofit sector. As described in Section 3.e. above, the Program is targeting a HERS II based home retrofit standard. From the HERS Requirement Date forward, every Program financing will require HERS II ratings. HERS-accredited contractors, and HERS-qualified workers in every specialty on every job. Under the HERS Path quality assurance will be provided by the California Building Performance Contractors Association (CBPCA), which will audit 5% of jobs performed by each contractor to verify compliance with the California Building Energy Efficiency Standards. Contractors performing unsatisfactory work will be reviewed more frequently, and if necessary, suspended from the Program. SFE will coordinate with CBPCA to ensure the quality of the installations support the growth of a successful retrofit program, and will perform verification on an additional 5% of such projects.

From Project launch through the HERS Requirement Date there are two alternative paths to approval: the BPI Path and the Alternate Path. Under the BPI Path CBPCA will provide, and SFE will coordinate, quality assurance in the same manner as it will under the HERS Path. The Alternate Path has no similar statewide quality assurance mechanism, and therefore SFE will require contractors to participate in CBPCA's verification process, which covers 5% of installations by the contractor. SFE staff would also perform verification at an additional 5% of Alternate Path projects. This more frequent contact also represents an opportunity for SFE to encourage the contractor to achieve the required BPI or HERS certifications that will be required for Program work once the Alternate Path expires.

Per Section II.G below, the City is pursuing a separate application for a State Energy Program grant to support the Affordable Multifamily Retrofit Initiative, a revolving retrofit loan program for multifamily affordable housing buildings. Such buildings generally have limited operating margin or available cash for capital improvements and therefore the successful achievement of energy bill savings is vital in securing the support of building owners and their lenders for a deep building retrofit. Therefore the program will use a deliberate approach, phasing improvements and verifying savings before reserve amounts are reduced or otherwise freed up. The Program will evaluate the experience of the Affordable Multifamily Retrofit Initiative to assist in the development of quality assurance and energy savings verification procedures appropriate to the multifamily sector.

15. Team Organizational Structure

The SFSFP has been developed by a steering committee of representatives from SFPUC, SFE, COPF, OEWD and the Office of the Mayor, and it is expected that this arrangement will continue to provide policy guidance and vetting for the program as it is implemented. The SFPUC will serve as the primary Program administrator, with overall responsibility for contract coordination and administration as well as developing and vetting overall policy direction with interested agencies, the Office of the Mayor and the City's Board of Supervisors. The organization of specific facets of the program will be structured as set forth below.



(Note: None of the agreements described below are proposed for funding under this ARRA SEP proposal. These contractors are identified for information purposes only, to provide a more complete sense of the proposed approach in each of the areas listed.)

a. Financial

The coordination and contracting of the financial aspects of the Program will be directed by the SFPUC. The City Controller's Office of Public Finance will collaborate with the City Attorney to manage the interim financing relationship under the bond purchase and security agreements with Renewable Funding, as well as the disclosure and other efforts required to achieve a successful remarketing.

Renewable Funding will be the primary financial subcontractor to the program, under the aforementioned bond purchase and security agreements. Renewable Funding is the leading firm providing administrative and financial services to tax lien financing initiatives around the country, having successfully supported both the City of Berkeley and Boulder County, Colorado in the rollout of their respective programs and having been selected to support several other municipalities and the California Statewide Communities Development Authority in the development and implementation of their programs. Renewable Funding is based in Oakland, California and thus is readily able to attend meetings and provide services in person within the City when it is necessary or advisable to do so.

b. Administration

The administration of the program in terms of determining application eligibility, reviewing documentation, monitoring disbursements, and maintenance of records shall be performed by Renewable Funding under an administration services agreement with the City. The SFPUC shall be the primary manager of Renewable Funding under that contract. SFPUC and Renewable Funding will interface with the City's Assessor-Recorder to record special tax liens and with the City's Controller and Treasurer-Tax Collector to ensure the appropriate inclusion of Program special taxes on the property tax roll. The Program will also contract for fiscal agent services with respect to Program bonds (i.e payment of debt service, management of bond-related accounts, etc).

c. Contractor qualification and quality assurance

The Program will partner with staff of the existing SFPUC GoSolarSF, SFE Energy Watch, and SFPUC WaterWise programs to establish a comprehensive approach to determining and administering appropriate Program contractor qualification processes. The collaboration between the SFSFP and SFE is particularly vital in view of the Program's proposed energy efficiency contractor qualification requirements set forth under Section A.3.n above. The Program eligibility standards will require contractors to participate in the California Building Performance Contracting Association's project quality assurance verification process, as well as that administered by SFE under the Program and its other energy efficiency initiatives. See Section II.D.14 above for further discussion.

d. Workforce development

As noted in Section II.E below, the program will partner with the City OEWD to coordinate workforce development training efforts and participant verification that will allow for the linkage of Program-driven retrofit demand to the training of the City residents in the related fields. OEWD will leverage its existing partnerships under the Green Skills Academy and CityBuild programs to bolster the Program's ability to deliver on the promise of employment and advancement opportunities for the City's workforce.

e. Assistance to economically disadvantaged populations

As described in Section II.G below, the Program will integrate the efforts of the City's Mayor's Office of Housing in providing advantageous financing opportunities to improve the living situations of economically disadvantaged communities within the City.

f. Legal assistance

Legal advice to the Program will be provided by the City Attorney's office. The City Attorney has retained the law firm of Jones Hall to advise on the formation of the program special tax district, the issuance of Program debt, and other related issues.

g. Primary contact

The primary contact for the Program is as follows:

Michael Martin
Development Project Manager
San Francisco Public Utilities Commission
1155 Market Street, 11th Floor
San Francisco, CA 94102
V: (415) 934-5701
F: (415) 554-3424
mmartin@sfwater.org

E. Workforce Development and Job Creation

1. Formula-based Estimate of Direct Jobs Created

The total funding described in this application, including SEP ARRA funds ($2,080,000) and direct leverage ($14,402,693), is $16,482,693. Based on the ARRA formula of one job created or retained per $92,000 expended, this equates to 179.2 jobs over the initial $10 million of Program financings described in this application.

2. Types of jobs expected to be created or retained

There are a number of job types that will be created in conjunction with the initial rollout of the program as described herein. These include:

- HERS-qualified Energy raters and installers
- Other energy and water installation professionals
- Communications specialists.
- Outreach coordinators
- Program financial and administrative specialists
- Workforce development trainers
- Specialists providing technical assistance to low income applicants

The number of each type of job created from Program and ARRA SEP sources will depend on the composition of the initial $10 million of Program financings. However, in terms of the Program's sustainability the goal is to foster the development of at least 10 firms or professionals qualified to provide "House as a System" energy ratings, and 20 firms (each with at least one team of 3-5 employees available) qualified to provide Program-financed retrofits. Program staff has identified these levels as the minimum required to sustain an efficient level of $1,000,000 in monthly Program financing demand, and together they would represent a fundamental transformation in the composition and capacity of the City's retrofit installation market. Program staff believes this can be achieved within the first year of the program, and thus is a worthy goal to associate with the initial $10 million of Program financings.

In terms of communications and administration, the Program and the related activities described in this application are estimated to include funding for part-time work for three City communications specialists, administrative work for one FTE of City grant and financial management, three employees comprising one FTE at Renewable Funding processing applications and managing the website and funding sources, 0.5 FTE of technical assistance management for economically disadvantaged communities, and an as-yet undetermined funding for communications employment through community-based organizations under the Community Resilience program.

3. Proposed Approach to Training Contractors, Technicians and Professionals

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 City's Office of Economic and Workforce Development (OEWD).

a. Green Skills Academy

The Green Skills Academy is a partnership between the state agencies referenced in the PON and City College of San Francisco, OEWD, the Workforce Investment San Francisco Board, the San Francisco Conservation Corps, and a number of other community-based organizations and employers. This program will serve 130 students and orient them to the range of green career pathways available to them, provide contextualized language and math instruction, engage students in green community service, and teach them about the importance of environmental stewardship and civic responsibility. Students will be provided wrap-around and case management services by partner CBOs with deep roots in the communities served. At the conclusion of this semester of training, students will transition into one of the City's many green jobs certificate programs, including solar panel installation, environmental monitoring, environmental horticulture, hybrid/electric vehicle service, green business, and green construction and energy efficiency. Program staff will work with OEWD in particular to ensure 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 will provide 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.

b. CityBuild

CityBuild is an OEWD program that provides job placement assistance in both apprentice and journey level construction positions. These employment opportunities encompass all trades for San Francisco job seekers who are active members of construction trade unions. CityBuild Academy is a rigorous fourteen-week pre-apprenticeship program which prepares individuals interested in learning a construction trade for entry-level, unionized positions within the construction industry. The CityBuild Academy and job placement assistance is facilitated in collaboration with Construction Trade Unions, partner Community Based Organizations and City College of San Francisco. CityBuild assists contractors that have been awarded projects in San Francisco with fulfilling their local hiring obligations. The program provides a screened and qualified workforce comprised of skilled San Francisco residents for all phases of work within each project's scope. Since the program launched in 2006, CityBuild has played a vital role in providing training and employment opportunities in the construction trades to economically disadvantaged San Francisco residents. In helping a myriad of construction companies fulfill their labor needs and obligations, over 1,300 job placements have been achieved in over 250 projects throughout the City.

In 2010, CityBuild Academy will add a comprehensive Green Jobs Training Initiative to enhance its training curriculum. CityBuild will expand its current offerings by adding a Green Jobs Module. Participants will complete 635 hours of intensive classroom and hands-on training over 18 weeks. The Green Jobs Module will offer three concentrations from which participants may select: 1) Energy Efficiency, Weatherization, and Energy Audit Technician Training; 2) Solar Installation Training; 3) Environmental Remediation Technician Training consisting of Groundwater, Storm Water, Surface

Water, and Sediment Sampling, Air and Dust Monitoring, Soil Stockpile and Grab Sampling, and Common Remediation System Sampling and 4) green construction.

This expanded program will provide new workforce entrants with existing CityBuild Academy training which includes general construction skills, general and jobsite safety training, Life Skills, Introduction to Labor Studies, Basic Math and the following certificates: OSHA 10 Certificate, Forklift Operator Certificate, Scaffolding – Hilty Power Actuated, Tool Qualified Operator, Fall Protection Certificate and CPR Certificate. The Green Training will add expanded workforce entry training and construction skills, environmental literacy, introductory plumbing, electrical and Heating, Ventilating and Air Conditioning (HVAC) skills required to understand the issues and changes introduced by Green Building techniques. Additionally, a new series of instructional modules will be added to address the requested green building and energy and water efficiency-oriented subjects.

The new training will be implemented in three phases. Phase I will teach Workforce Entry Skills; Phase II, Basic Construction Skills; and Phase III, Green Building Skills. Together, these modules will provide participating students the environmental literacy they will need to enhance their understanding of environmental issues, to improve interview performance with employers in the green economy, to seek additional education and/or to become engaged in community and national environmental issues.

c. SFSFP Workforce Development linkage

As noted in Section A.3 above, after consultation with OEWD this application seeks funding for an incentive payment of $500 per Program application, payable to the first 200 such applicants who can demonstrate that a graduate of the workforce development programs described above worked on their project. OEWD will promulgate policies and procedures for certifying vendors and compliance issues related to the incentive payment. This incentive is intended to spur hiring demand for such graduates in the early phases of the Program rollout, as the City's pool of workers ramps up to meet the increase in project volume. In this way the linkage between the Program and the City's workforce development programs can be further solidified, as contractors become comfortable with the skill level and abilities of the workers trained under these programs.

Upon expenditure of all such incentive funds Program and OEWD staff intends to evaluate the City's labor market and the capacity of the workforce development programs to deliver graduates to meet retrofit demand, in order to determine the appropriate approach to continuing to reinforce the linkage between the workforce development programs and the Program. The most powerful linkage would be to require projects financed under the Program to employ workforce development graduates, but the Program reserves the right to take a phased approach to such a requirement should there be a question as to the constraints that such a condition would place on the ability of the City's retrofit market to deliver projects in a manner that supports an efficient and effective financing program.

F. Energy, Peak Demand and GHG Emissions Reduction

1. Overview

The composition of the projects financed by the program will be determined by the content of demand for program financing. Therefore the electricity and natural gas savings over the initial $10 million of Program financings are estimated as described below.

(Note: Evaluation of annual peak demand in San Francisco is complicated by the City's generally mild and consistent climate. Summer peak demand is driven by commercial air conditioning and occurs during the daytime. A winter peak demand also occurs in December of January, driven by building heating and lighting loads. Therefore, if solar generation or other efficiency measures reduce the daytime summer demand peak, that reduction will not necessarily be described as an overall peak reduction because in that instance the winter peak may then outstrip the summer peak. This again depends on the composition of Program and overall retrofit demand.)

a. Heating Systems demand

i. Projected individual project profile

As described above under Section II.D.3, SFE's heating systems programs will provide $300,000 in incentives for hearing systems projects during the initial rollout of the Program. SFE is initially targeting these incentives at $5/therm saved. Therefore the projected project profile is as follows:

Project cost	$48,000
Less: SFE incentive	$15,000
Total Program-financed amount	$33,000
Annual therm savings	3,000

ii. Total Program commitment – Heating Systems

Aggregating the referenced $300,000 worth of Heating Systems incentives together, the total figures appear as follows:

Project cost	$960,000
Less: SFE incentive	$300,000
Total Program-financed amount	$660,000
Number of projects	20
Annual therm savings	60,000

b. Retrofit project demand

For purposes of this projection, the remainder of the energy and natural gas savings is determined by extrapolating a representative project profile across the remainder of the initial $10 million of SFSFP funding after subtracting the $660,000 of projected Heating Systems financing demand identified above, for a remaining amount of $9,340,000.

i. Projected individual project profile

The average City household uses 6600 kWh of electricity and 530 therms of natural gas annually. The representative project is deemed to include the required 20% improvement in energy efficiency as a condition to the installation of a 2 kW solar photovoltaic system.

A. Solar PV system

Using the CEC's Clean Power Estimator tool, the cost of the 2 kW system net of CSI rebates and GoSolarSF incentives (to the extent they are available) is as follows:

Project cost	$21,000
Less: CSI rebate	$2,200
Less: GoSolarSF rebate	$5,000
Total Program-financed amount	$13,800
Annual kWh savings	3,287

B. Energy efficiency measures

Energy efficiency measures will vary according to the building in question. Therefore for purposes of this projection the program estimates that both natural gas and electricity consumption will demonstrate a 20% decrease, resulting in 1320 of kWh saved and 106 therms saved per project based on the average City consumption figures set forth above.

Project cost	$7,193
Less: SFE Community Resilience incentive	$1,500
Total Program-financed amount	$5,693
Annual kWh savings	1,320
Annual therm savings	106

C. Total project profile

Combining the analysis in B and C above, the representative project profile is as follows:

Project cost	$28,193
Less: available rebates and incentives	$8,700
Total Program-financed amount	$19,493
Annual kWh savings	4,607
Annual therm savings	106

ii. Total Program commitment – retrofits

Extrapolating the representative retrofit project identified above across the remaining $9,340,000 of Program financing capacity, the Program team estimates the following:

Number of projects	468
Annual kWh saved	2,156,076
Annual therms saved	49,608

c. Total Program energy savings

Therefore, combining the results of subsections a and b above, the SFSFP team has developed the following projection of annual energy savings resulting from the first $10 million of Program financings:

Number of heating systems projects	20
Number of retrofit projects	468

Annual kWh saved	2,156,076
Annual therms saved	49,608
Annual therms saved converted to kWh	3,218,091
Aggregate annual savings expressed as kWh	5,374,167

G. Economically Disadvantaged Areas

1. Overall Strategy

The City's unemployment rate as of June 2009 was 9.8%, below that of the state (11.6%) but above the national average (9.5%). While this overall rate does not represent the impact of the recent recession on employment demonstrated in other parts of the state and the nation, the aggregate number does not adequately reflect the unequal experience of various communities and employment sectors within the City. Program staff has compiled several sources of unofficial statistics that show the City's southeastern neighborhoods (known as Bayview-Hunters Point, Visitacion Valley, the Outer Mission, Potrero Hill, etc) are experiencing unemployment rates in excess of the state average as of June 2009. Therefore the City's outreach and workforce development strategies are concentrated in these areas to ensure awareness of these potential Program-related avenues to a more stable employment situation.

By the same token, Program staff also recognizes that there are economically disadvantaged areas in all of the City's neighborhoods that could benefit from the Program's integrated strategy. Therefore the focus of the City's strategy is on leveraging all available subsidies with market-based delivery mechanisms, customer and installer outreach and support targeted to address the specific circumstances of each building, each borrower, and each neighborhood serving economically disadvantaged populations.

A robust energy retrofit initiative can provide a variety of benefits to these undeserved communities, by generating employment growth in skilled trades, allowing homeowners to replace their high and volatile energy bills with a fixed affordable financing payment, and by addressing the reducing pollution from power generation that has historically affected these environmental justice communities within the City.

The City's strategy in bringing the Program benefits to these historically underserved populations is threefold:

- Targeted communications and outreach;
- Workforce development; and
- Financial assistance to projects serving economically disadvantaged populations

The proposed initiatives serving economically disadvantaged populations are sometimes referred to herein as the EDP Program. The following sections describe these strategies in greater detail.

2. Communications

The SFSFP cannot assist these hard-to-reach residents and building sectors if they are not aware of the Program opportunities. Therefore, as described in Section II.D.12 above, 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 community-based organizations under SFE's Community Resilience program.

Once a qualifying resident seeks more information, the SFSFP can then provide ARRA SEP funds to assist in obtaining an energy rating, which will foster further analysis and dialogue about the most advisable route to proceed to the completion of a beneficial retrofit.

3. Workforce Development

As described in Section II.E above, the City has placed a great deal of emphasis on establishing workforce development programs that can link the training of the City's skilled workforce 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 SFSFP's efforts to deliver on the employment promise serving as a foundational pillar of the effort to stimulate the local retrofit economy.

4. Retrofit Assistance

As noted in section II.D.3 above, this ARRA SEP proposal includes a request for funds to assist in lowering the barriers to obtaining energy ratings, and targeting financial support to leverage private financing options for hard-to-reach populations. If such funds are awarded the Program's assistance to economically disadvantaged areas will focus on those populations earning 150% of area median income or less. This level was selected in order to leverage the Program's rating and loading order approaches with the existing and proposed financing options for lower income levels while at the same time providing new Program- and ARRA SEP-related opportunities for those populations which do not qualify under the existing standards but in any case are identifiably disadvantaged in an economic sense. SFSFP and other City staff agree that this level is appropriate in acknowledgement of San Francisco's high cost of living relative to the area sampled for such median income statistics. Program staff further notes that this income level is subject to change as the program develops a greater understanding of the nature of and opportunities inherent in the City underserved populations and in reference to future funding opportunities.

The Program and this proposal will seek to integrate with the City's broader efforts to provide financing for buildings serving economically disadvantaged populations. Some examples of these broader City efforts to reach such populations are described below. The Program has already begun its coordination with the agencies administering each of the listed programs, and will seek to build a more integrated platform to provide comprehensive financial solutions for retrofits serving a wide range of the City's building sectors and owner income levels.

To this end, if ARRA SEP funding is awarded under this proposal the City will likely reallocate EECBG funds away from such direct financial subsidies and towards technical assistance for various economically disadvantaged building sectors in accessing potentially favorable financing options, including the SFSFP itself. The primary strategy would be to use the information garnered from more systematic energy audits and ratings in the residential and community facilities sector in an effort to integrate both retrofit-specific funding sources such as the SFSFP with other, more general-purpose financing options as further described in subsection c below.

a. Energy Efficiency and Conservation Block Grant (EECBG) Programs

As noted in Section II.D.12, EECBG funds are being used to fund the communications and outreach efforts to ensure an effective rollout of the program to its potential applicants and contractors. These efforts will be targeted at economically disadvantaged populations in particular. In addition, SFE is administering EECBG grant funds under its Community Resilience and Heating Systems Programs.

Outreach for these programs will be targeted at economically disadvantaged populations, and the Program will seek integration with that outreach to provide an additional source of financing beyond the funding under the EECBG programs.

b. State Energy Program – Affordable Multifamily Retrofit Initiative

The City is submitting a separate proposal to seek funding for a top loss reserve to encourage community development financial institution lending to multifamily affordable housing buildings (Affordable Multifamily Retrofit Initiative). The Affordable Multifamily Retrofit Initiative would require Third Tier energy ratings, which would form the basis for a subordinate loan for cost-effective projects. The private lenders would fund the projects, in conjunction with the reservation of a certain dollar amount (likely 50% of the total loan principal) to be held in the top loss reserve to make the lender whole for debt service delinquencies should the payment savings not materialize as expected. As the project benefits are demonstrated in utility bills over time the expectation is that reserved top loss funds could be released on a phased basis reflective of the remaining risk of the lenders. These funds could then be used to secure another project financing, and hopefully the collective experience of the Affordable Multifamily Retrofit Initiative would allow a progressively lower top loss percentage.

The Program will benefit from coordination with the Affordable Multifamily Retrofit Initiative in understanding the type of audit approach that makes sense for multiunit buildings, and the most cost-effective projects for buildings with limited operating margins. This knowledge can then hopefully be turned to crafting communications and, as described in Section II.D.3 above, appropriate ARRA SEP-funded subsidies for market-rate apartment buildings in the City, in which a vast majority of the City's lower income residents live. The Program can thus bring private lending to these types of buildings, which with the potential addition of ARRA-SEP funded subsidies for qualifying buildings will enable the successful completion of projects at a much lower cost than the Affordable Multifamily Retrofit Initiative, in terms of public dollars obligated.

c. Low-income residential rehabilitation financing programs

The City's Mayor's Office of Housing (MOH) administers a number of state-funded lending programs for income qualified homeowners to undertake building rehabilitations and lead abatement projects. Primary among these is the CalHome loan program. Currently the CalHome program targets repairs and rehabilitation projects that improve the quality of life in the home, in terms of health and safety factors such as structural repairs, roofing, air quality, and the like. Often these projects include components that also improve a home's energy and water efficiency. The loans bear interest at 3% per annum but no repayment is due until the home is sold.

While the SFSFP would have no control over the funding and administration of the CalHome program, this application recognizes the opportunity to leverage the low-income homeowner energy ratings incentivized with ARRA SEP funds to better target CalHome assistance towards projects that not only satisfy that program's criteria but also achieve the aims of the SFSFP in improving the City's overall energy consumption infrastructure. This sort of integration will allow the Program's ARRA SEP funding to target interest rate buydowns for Program participants who otherwise do not qualify for CalHome loans, thus leveraging both sources for the betterment of these residents.

d. Institutional and commercial buildings serving economically disadvantaged populations

The LIIF community facilities energy assessments described in Section II.D.2.b.ii above would be used in much the same way that the home ratings are used to augment CalHOME funding as described in Section 6.c.3 B above. Program staff has engaged in discussions with LIIF serving these buildings to determine

the most efficient approach to such a financing. Much like the Affordable Multifamily Retrofit Initiative, there may be a need to overcollateralize an initial set of transactions in order to establish the viability of an interest rate buydown or other Program-related approach to funding and completing retrofits of these types of buildings. Once the utility bill and financial performance of those initial projects is established the expectation is that future financings will need less public support to encourage the desired beneficial retrofit investment decision.

H. Time Criticality

As noted above, the establishment of the Program will be considered by the City's Board of Supervisors in January 2010 and it is the Program team's expectation that the SFSFP will be in place on or before May 1, 2010 at the latest.

Based on the demand for tax lien-financed retrofit loans in other programs in the Cities of Berkeley and Palm Desert andthe County of Sonoma the program believes it will be able to place the $10,000,000 principal amount of financings referenced in this application (the driver of the disbursement of the interest rate buy-down under Section II.D.2.a.i above) well before March 31, 2012. Similarly, the disbursement of 200 workforce development incentives described under Section II.D.2.a.ii above will be completed in connection with the first 250 applications approved, which again should reflect a timeframe shorter than March 31, 2012.

As for the assistance to the economically disadvantaged described under Section II.D.2.b above, the specific composition of these disbursements will vary according to demand. If we have a great deal of demand from qualifying lower-income homeowners the spending may take longer than pursuing larger transactions retrofitting community facilities or multifamily residences. In either instance, the expectation is that the program outreach combined with partnerships among agencies with a presence in these neighborhoods like the Mayor's Office of Housing will ensure a fast uptake of these offered incentives and subsidies.

As each of the proposed areas of SEP assistance under this application is linked to energy rating and retrofit demand, the Program will be able to leverage its own recordkeeping and financial analysis to establish very clear metrics showing the rate that bond purchase funds, and by extension SEP funds, are being spent down.

The table on the following page sets forth a proposed contract schedule from the start date of January 1, 2010 through March 31, 2012. This schedule reflects the program's expectations that the first $10 million of SFSFP financings will be placed within a year of Program launch, that EDP program activities will continue through the end of 2011, and that the parties will seek a Critical Project Review six months after Program launch.

Program activity	Date Complete
Contract start date	3/29/2010
Initial establishment of SFSFP complete	4/29/2010
Initial administrative meetings completed and documents filed with Energy Commission	4/29/2010
1st Critical Project Review	6/1/2010
1st CPR report	6/30/2010
Economically Disadvantaged Populations program terms established	6/30/2010
2nd Critical Project Review	8/1/2010
2nd CPR Report	8/31/2010
Program implementation and delivery	4/29/2010 through 12/30/2011
3rd Critical Project Review	10/29/2010
3rd CPR report	11/28/2010
First $10 million of Program financings complete	3/29/2011
EDP Program complete	12/30/2011
Final report	3/31/2012
Closeout activities	3/31/2012

I. Program Transparency and Reporting

1. Program Reporting

The Program team believes it is well-positioned to comply with all transparency, reporting, and accounting processes mandated in connection with the ARRA SEP funding.

The SFSFP is contracting with Renewable Funding for administration services relating to the Program. Among these services is the development of a web-based tool that will provide applicant processing and program tracking capabilities. This tool is under development and will be flexible enough in its design to meet tracking and reporting requirements for ARRA SEP programs.

As the ARRA SEP assistance sought under this application relates directly to the approval of the relevant ratings and financings, Program staff will look to this management tool to play a major role in ensuring compliance with the transparency and reporting requirements referenced in the PON, collecting project performance data and key project metrics, transferring data to the Energy Commission and publishing project results. To the extent further capabilities will be needed the Program will utilize existing recordkeeping, project tracking and accounting processes established in connection with related grant-funded projects here at the City, such as SFE's CPUC-directed Energy Watch program.

2. Financial Accounting Processes and Procedures

The SFSFP's accounting controls will be facilitated through the creation of a unique coding to track and identify the Program's ARRA SEP funds within the City's accounting system. All reported financial activity is reconciled regularly. Expenditures and purchases go through a series of approvals and signatures as required by the City's procurement and purchasing policies and guidelines, which will be revised to include any additional requirements imposed as part of the ARRA SEP grant award. In order to ensure transparency and accountability for the ARRA funds, and to provide an extra layer of oversight, departments are required to report to the Controller's Office on all ARRA funds in the manner required by

OMB. All reports are reviewed and approved prior to submission. In addition, the City's Controller's Office does an internal annual audit, and reviews the grant reconciliation performed by the department on a quarterly basis.

J. Program Team Qualifications and Experience

1. City staff

As described in Section II.D.15, the SFSFP team will be organized as a steering committee of City staff guiding overall policy setting and coordinating integration with other initiatives within their respective gencies. Each of the named staff below will be mauterially involve din all aspects of the program: however the specific percentage of time demanded from each will vary according to the phase of the program's implementation. For example, Ms. Sesay will likely spend a good proportion of her time on the program during the 90 day period prior to a remarketing of microbonds, while Mr. Broomhead may spend more of his time during the initial phases of the program as he coordinates contractor qualification and outreach. The SFSFP leadership team members and their experience are summarized listed below. Reference is made to Appendix B for resumes of named staff and related qualifications.

- Michael Martin, Development Project Manager at the SFPUC. Mr. Martin will serve as Program Administrator and will coordinate Program strategy among the steering committee of City staff. Mr. Martin has extensive experience in finance and legal matters bearing on the Program, having provided legal advice on it as a deputy city attorney and overall strategic direction in his current role. Mr. Martin will also coordinate administrative and contract oversight during Program implementation and operation.

- Johanna Partin, Director of Climate Protection Initiatives in the Office of Mayor Gavin Newsom. Ms. Partin will serve as the liaison to the Mayor's office and will assist in formulating policy direction for the Program and integrating City policy with SFSFP objectives. Ms. Partin advises Mayor Newsom on citywide sustainable energy, climate, transportation, green building and other programs promoting sustainability for San Francisco. From 2006-2009, Ms. Partin served as Renewable Energy Program Manager at the San Francisco Department of Environment, where she worked to help the City meet its renewable energy targets, focusing on the residential and commercial sectors. Ms. Partin's background in microfinance will further serve to provide the program with expertise in developing its innovative capital structure.

- Cal Broomhead, Energy and Climate Protection Programs Manager, San Francisco Department of the Environment. Mr. Broomhead brings a wealth of experience and connections with policymaker and contractors in the energy efficiency and renewable energy fields. Aside from general Program direction as part of the steering committee, Mr Broomhead will coordinate contractor qualification and outreach. Program loading order and energy rating strategy, and leveraging of additional grant funding sources being administered by SFE.

- Nadia Sesay, Director of the Controller's Office of Public Finance. Ms. Sesay will direct all financial strategy and analysis relating to the Program. Ms. Sesay's extensive experience in innovative municipal bond and Mello-Roos transactions will serve as a foundation for the Program's efforts to achieve a successful market-based financial structure.

- Guillermo Rodriguez, Director, CityBuild. Mr. Rodriguez will coordinate and integrate the City's workforce development efforts with the successful rollout of the Program. These efforts will include directing the formulation of policies and funding criteria for incentive payments.

2. Consultants and Outside Counsel

In addition, while this application does not include funding for their contracts, the program will depend on the efforts of Renewable Funding and Jones Hall in order to successfully deliver on its promise. The team members who will be directly involved in the SFSFP from those organizations are listed below; refer to Appendix B for resume information.

- Chris Lynch, public finance attorney at Jones Hall. Mr. Lynch has provided legal advice throughout the Program development process and will continue to do so through its initial phases of funding, if not longer. Mr. Lynch's extensive experience in the rapidly developing world of tax lien financing is an invaluable resource to the Program a it attempts to improve upon past efforts.

- Mimi Frusha, Chief Operating Officer, Renewable Funding. Ms. Frusha will be responsible for day-to-day management of technology, marketing, and Program implementation.

- Joanna Karger, Chief Financial Officer, Renewable Funding. Ms. Karger will manage the financial component of the Program on behalf of Renewable Funding.

- Karen Miao, Program Manager, Renewable Funding. Ms. Miao will serve as liaison for program design and implementation.

K. Scope of Work and Deliverables

As described above, the SFSFP will be launched in Spring 2010 utilizing funds already allocated by the City. This application seeks funds to bolster the ability of the SFSFP financial engine to reach full ignition more quickly. As such the following scope of work has been developed to integrate the schedule and budgeting for these activities and the various funding sources that will all contribute a seamless and successful Program rollout

1. Administrative Tasks

a. Scope of work

- **Task 1: Contract Management**
  - Kickoff meeting among SFSFP and Energy Commission staff
    - Discussion of terms and conditions of the ARRA SEP agreement
    - Critical project reviews – expectations and schedule
    - Leverage fund documentation
    - Permit and other technical recordkeeping and documentation
    - Training on ARRA SEP reporting requirements
    - Schedule of deliverables
    - Processes for submitting progress reports, task deliverables and final report
  - Invoices
    - Energy Commission and SFSFP staff will coordinate appropriate processes for funding and invoicing expenses as required herein, as the typical contractual reimbursement approach may not support he reobust rollout of the Program
  - Monthly progress reports

    - Energy Commission, SFSFP and Renewable Funding staff will collaborate to determine how best to leverage the recordkeeping and information technology tools available to the program to enable the verification of the program's satisfactory and continued progress
    - Upon such determination, SFSFP staff will submit such information as required to Energy Commission and ARRA SEP tracking and reporting entities
  - Critical program reviews
    - Determine location, date and time, as well as expected content
    - Determine agenda and list of expected participants
    - Conduct and make record of each CPR meeting
    - Determine whether to continue with project and in what form
    - SFSFP staff prepares CPR report, CPR deliverables
  - Final report
    - SFSFP develops, for Energy Commission review and approval, summarizing the tasks under the agreement and their accomplishment by the Program
    - Delivery of Final report, as it may be modified and accepted upon review
  - Task 1 Deliverables
    - Establishment of administrative processes via kickoff meeting and followup
    - Monthly progress reports
    - Monthly submittal of electronic data to ARRA SEP tracking and reporting entities
    - CPR meetings, reports, related deliverables
    - Final report
- **Task 2 Program Delivery**
  - Implementation Plan – Primary Program
    - SFSFP staff drafts and finalizes subject to Energy Commission review a plan for implementing the activities required to deliver the Program as described in this application. The implementation plan will include:
      - Detailed financing plan
      - Timeline for the program
      - Milestones
      - Contingency Plans
      - Discussion of parallel energy audit and field verification approaches in sectors other than single-family residences, all as further described herein
  - Implementation Plan – Related Initiatives
    - In conjunction with the overall program planning, the implementation plan will also include sections relating to the integration with related efforts to bring the full range of benefits to the City's residents and economy. These include the following initiatives as more particularly described in the noted sections of this applications:
      - Workforce Development (Section II.E)
        - Establish linkages between available training, ARRA SEP incentive payments, and tracking of areas for future training efforts to support the dynamic retrofit economy within the City
      - Participant Recruitment (Section II.D.12)
        - Develop and finalize communications and outreach planning as described above
        - Establish coordination processes among implementing agencies
      - Energy Audits (Section II.D.6)

  - Coordinate Program and SFE outreach regarding rating requirements of program
  - Analyze and integrate findings of energy rating efforts in sectors other than single-family residential
- Retrofit Installations and Quality Assurance (Section II.D.14)
  - Coordinate quality assurance and project monitoring efforts described above
- Verification of Energy Savings (Section II.D.11)
  - Establish information linkage with PG&E, appropriatre format of customer authorization for utility bill data
  - Review and develop potential methods for encouraging cooperation as described above
  - Refine recordkeeping and analytical tools relating to the energy savings information
- Program Reporting as described in task 1 above
- Deliverables
  - Draft Implementation Plan (both Primary Program and Related Initiatives)
  - Final Implementation Plan (both Primary Program and Related Initiatives)

b. Deliverables and Due Dates

The following schedule of deliverables assumes a contract start date of March 29, 2010 as set forth in the PON.

Deliverable	Due Date
Monthly progress reports	Monthly
Critical program review reports	Within 30 days of related CPR
Draft Implementation Plan	April 29, 2010
Final Implementation Plan	Within 10 days of receipt of contract manager comments

2. Technical Tasks

The following listing of technical tasks represents a summary of the proposed Program rollout. The schedule for these activities is set forth in Exhibit A, Attachment A-1, and includes proposed scheduling for Critical Project Reviews.

a. Technical Task 1.0: Establishment of SFSFP

Task Number and Name	Description of Deliverables
1.1. Legal and Administrative activities	- Establish special tax district - Develop appropriate administrative processes
1.2. Establish program terms and conditions	- Establish program terms and related eligibility criteria - Develop and implement efficient workflow for funding Program financings - Establish bond purchase and security arrangements with Renewable Funding
1.3 Execute Initial Communications Plan	- Develop and implement communications strategy as described in application

1.4 Develop Draft Implementation Plan	- Develop plan for Program and related initiatives, submit for Energy Commission review as of date 30 days following award
(Conduct Critical Project Review #1)	1st CPR report addressing tasks set forth above

b. Technical Task 2.0: Refine and Implement Economically Disadvantaged Populations (EDP) Program

Task Number and Name	Description of Deliverables
2.1. Establish EDP Program Terms and Conditions	- Establish program terms and related eligibility criteria - Develop and implement efficient workflow for funding Program assistance - Establish and coordinate technical assistance resources
2.2 Implement program assistance	- Coordinate outreach - Assist targeted projects in funding and implementing retrofits
(Conduct Critical Project Review #2)	2nd CPR report addressing tasks set forth above

c. Technical Task 3.0: SFSFP and EDP Program Delivery

Task Number and Name	Description of Deliverables
3.1 SFSFP Delivery	- Administer and execute Program per terms of task 1.0 above until ARRA SEP funds are exhausted
3.2 EDP Program Delivery	- Administer and execute EDP Program per terms of task 2.0 above until ARRA SEP funds are exhausted
3.3 Identify and Obtain Leverage Funds	- Assist participants in identifying and obtaining leverage funds for their projects; coordinate overall efforts to fund related initiatives
(Conduct Critical Project Review #3)	3rd CPR report addressing tasks set forth above

Notes:

- Due to the challenging nature of the economic sectors targeted, the EDP program will likely be implemented on a longer timeline. As noted in the schedule, Program staff target an outside date of 12/30/2011 for completion of such activities though it is expected that they will conclude earlier.
- The date of the 3rd critical project review should be set according to the rate at which primary SFSFP funding is disbursed: a likely target is 180 days after Program implementation.

d. Technical Task 4.0: Final Report

Upon the expenditure of all ARRA SEP funds associated with the successful implementation of tasks set forth above as further described in this application, the SFSFP team will develop and file the Final report on or before the end date of the contract.

L. Budget Forms (Exhibit A-1, Exhibit B and Exhibit F)

(See following pages)

Shawn Rosenmoss/ENV/SFGOV
02/22/2010 09:57 AM

To Jack Mok
cc
bcc
Subject Fw: SEP grant - leveraged funds

History: This message has been forwarded.

Hi Jack, this is the language from the RFP for those California Energy Commission grants (2M for finance, 800K for retrofits)

I will also forward the entire RFP, but as you can imagine, its pretty long.

Shawn

----- Forwarded by Shawn Rosenmoss/ENV/SFGOV on 02/22/2010 09:55 AM -----

"Martin, Michael" <MMartin@sfwater.org>
02/22/2010 09:08 AM

To "Rosenmoss, Shawn" <Shawn.Rosenmoss@SFGOV.ORG>
cc "Chien, Richard" <Richard.Chien@sfgov.org>
Subject SEP grant - leveraged funds

Hi Shawn-
I was out on Friday afternoon so I just picked up your voicemail.

The SEP program guidelines included specific references to applicants' incorporating Energy Efficiency and Conservation Block Grant (EECBG) funding as a match or a coordinated expenditure in the same manner that we have proposed in the documents relating to our application and award. See for example the following excerpt from p. 37 of the SEP Guidelines (attached):

"The following criteria will be used for evaluating proposals in response to the solicitation:

1. Leveraging of funding - extent to which ARRA SEP funding is matched by and coordinated with financing, incentives and program administration resources identified and committed by the applicant, including EECBG funding targeted at residential retrofit, municipal financing, state and national program resources and financing, utility incentives and financing, and other local government and consortia resources;"

Please let me know if this will assist in moving this forward. If not, please give me a call so we can discuss the specifics of the prohibition you describe regarding the use of grant funds as a match for federal grants.

Thanks. -Mike

Michael Martin
San Francisco Public Utilities Commission
office: (415) 934-5701
mobile: (415) 235-2171
mmartin@sfwater.org

California Energy Commission

STATE ENERGY PROGRAM GUIDELINES

COMMITTEE DRAFT REVISIONS

ADOPTED BY THE CALIFORNIA ENERGY COMMISSION

~~SEPTEMBER 30, 2009~~

~~CEC-150-2009-004-CMF~~

CEC-150-2009-004-CMF-REV1

American Recovery and Reinvestment Act 2009

The California Comprehensive Residential Building Retrofit Program is intended to create jobs, re-employ displaced workers, and re-train the hardest hit construction industry as a means of meeting the DOE's SEP goal of strategic intervention that causes lasting changes in the market. It is intended to jump start the effort to meet California's aggressive Energy Action Plan goals to achieve an average of 40% savings in existing California residences by 2020. The Program intends to achieve sustainability after the term of the ARRA funds through three means: 1) coordinating with local financing initiatives; 2) leveraging local funding; and 3) seeding self-sustaining training approaches that will make permanent improvements to the skill level of the people who will be needed to deliver residential retrofits.

7. Project Reporting

   All requirements related to ARRA sub recipient and vendor reporting and tracking must be adhered to as well as any other state and federal reporting requirements for energy related ARRA funds.

C. Evaluation Criteria

The following criteria will be used for evaluating proposals in response to the solicitation:

1. Leveraging of funding – extent to which ARRA SEP funding is matched by and coordinated with financing, incentives and program administration resources identified and committed by the applicant, including EECBG funding targeted at residential retrofit, municipal financing, state and national program resources and financing, utility incentives and financing, and other local government and consortia resources;
2. Sustainability – extent to which the applicant's program will create lasting changes in the market, enabling the accomplishment of California's climate change and energy savings goals for comprehensive residential retrofits and continue to stimulate job creation and revitalization of the economy; reasoning and evidence presented in the applicant's proposal demonstrating sustainability; extent to which the applicant's program establishes an active Third Tier element and proposes a strategy for transitioning to the Third Tier over the time period that ARRA SEP funding is available;
3. Economically Disadvantaged Areas[14] – extent to which the applicant's program is targeted to create jobs and enhance the economy in economically disadvantaged areas of the state that have been particularly impacted by California's housing and economic crisis;
4. Total Job Creation and Retention – extent to which all resources brought together by the applicant will create jobs;
5. Total Energy, Peak Demand and GHG Emissions Reductions – extent to which all resources brought together by the applicant will result in energy savings and peak demand and GHG emissions reductions;
6. Program Cost Effectiveness – cost effectiveness in terms of energy saved per dollar invested; U.S. DOE expects that ARRA programs achieve no less than 10 million source Btu's saved per $1,000 spent; dollars spent include only the ARRA SEP funds; savings are those resulting from the total dollars spent, including leveraged funding.
7. Time Criticality – extent to which the applicant establishes certainty that the ARRA SEP funding will be expended in the completion of actual energy retrofits by March 31, 2012

[14] Economically disadvantaged areas shall be determined by the unemployment rate from the Employment Development Department Labor Market Information Division, Report 400 for the Month of June 2009. http://www.labormarketinfo.edd.ca.gov/.