PROGRAM GUIDE

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PROPERTYFIT is sponsored by:

OVERVIEW

Prosper Portland (formerly the Portland Development Commission (PDC)), Multnomah County and Energy Trust of Oregon (Energy Trust) have partnered to create **PROPERTYFIT**, a property assessed financing program, to provide Multnomah County commercial property owners with access to a new form of financing for the installation of clean energy, renewable energy, water conservation and seismic resiliency improvements (collectively "Building Resiliency Improvements".) This Program Guide documents the statutory and program requirements to which program participants must adhere. It is intended to be used as a reference document outlining key **PROPERTYFIT** provisions and the relationship between Property Owner, Program Administrator, Capital Provider and others. **PROPERTYFIT** reserves the right to change this Program Guide and provisions set forth herein at any time without notice.

PROGRAM OVERVIEW – STATUTORY AUTHORITY

PROPERTYFIT is an innovative financing structure that enables owners (including nonprofit owners) of commercial, industrial and multifamily residential properties (with five or more units) to obtain long-term financing for building resiliency improvements to their property. These improvements provide public benefits that conserve energy and water, reduce greenhouse gas emissions, improve air quality, reduce energy costs and reduce life and safety risk in the event of an earth quake. They also have the added benefit of fostering economic growth, creating jobs and improving property values.

The Oregon Statutes (ORS 223.680 and ORS 223.685) authorize local governments to establish property assessed financing programs that assists property owners in financing Building Resiliency Improvements to qualifying real property. The financing is secured with a lien on the benefitted property (Benefit Assessment Lien) with the same priority as a lien for the assessment for local improvements. The local improvement lien is an established mechanism used by municipalities for decades to finance projects that provide a public benefit such as street improvements, water, sewer and street lighting.

PROPERTYFIT's structure addresses the principal market barriers to investment in building resiliency projects. It offers building owners up-front financing for up to 100 percent of the cost of building upgrades, secured by a Benefit Assessment Lien and repaid in annual assessment payments. The maximum term is set at the average weighted useful life of the proposed improvements. In some cases, the energy and water cost savings that result from the improvements will cover all or a portion of the benefit assessment payment.

The Benefit Assessment Lien is attached to and follows title to the property. If the property is sold before the **PROPERTYFIT** Financing is fully repaid, the benefit assessment remains in place and the repayment obligation is automatically transferred to the next owner. The senior lien status of the benefit assessment substantially reduces risk, making **PROPERTYFIT** financing very secure and attractive to long-term investors.

Policy Linkages

PropertyFit supports a number of carbon reduction, redevelopment, and economic development goals. The program is designed to:

- Support City of Portland and Multnomah County Climate Action Plan and other community goals to reduce carbon emissions, conserve water and improve seismic resiliency.
- Provide building owners (including nonprofit owners) with a cost effective financing tool to encourage comprehensive building resiliency that improve their overall building's performance.
- Stabilize the region's economic infrastructure through building improvements that reduce resource consumption; improve seismic resiliency; and increase property values, performance, and marketability of commercial, industrial, and multifamily real estate within the county.
- Stimulate new business development, job creation and the creation of new family wage jobs for county residents through increased number of building improvement projects.
- Develop a platform to launch new technology and leverage the region's thought leadership in the sustainable building industries.

Social Equity Commitment

PropertyFit has a strong commitment to advancing social equity by increasing economic opportunity for historically disadvantaged populations and creating equitable access to living wage jobs and wealth creation opportunities. We seek to support a marketplace that is inclusive and supportive of certified disadvantaged, minority and women (DMW) owned firms' participation the energy efficiency, renewable energy and sustainable building industries.

One of our goals is to support the growth and diversity of the Portland region's design, engineering, and construction sectors by encouraging long-term business-to-business relationships between majority- and DMW-owned firms. We are seeking property owners, contractors and capital providers that share these values and will commit to participating in activities designed to further their end.

The Challenge

In existing buildings, technically sound energy efficiency projects regularly compete for limited resources and are often trumped by projects that build revenue and market share. For some owners, the challenge is compounded by a lack of cash to pay for capital improvements. And, getting bank financing that requires a personal guarantee, direct owner investment, and other onerous conditions might not be the answer. For some property owners, the uncertainty of a how long they intent to own the building, the cost of project capital vs. corporate debt, and the balance sheet impact of borrowed funds present additional barriers to the use of external capital.   And, in new construction projects energy improvements are often "value engineered" out of a project for cost savings purposes.

THE SOLUTION

The unique structure of **PROPERTYFIT** financing removes these barriers, turning what was once a capital expenditure into a capital investment with the potential to generate immediate cash flow and return on investment. **PROPERTYFIT** minimizes an owner's up-front investment while lowering operating costs, improving the value and market competitiveness of the asset and helps the property achieve energy performance mandates.

PROGRAM BENEFITS

PROPERTYFIT offers multiple benefits to a broad range of stakeholders, including Building Owners, Building Performance Auditors and Contractors, Municipalities, Capital Providers, and Existing Mortgage Holders.

FOR BUILDING OWNERS

PROPERTYFIT helps minimize an owner's up-front investment while helping to lower operating costs, improve the value and market competitiveness of their asset, and meet building performance mandates. **PROPERTYFIT** does this in several ways:

UP TO 100% FINANCING	Many owners lack capital to pay for energy improvements. **PROPERTYFIT** provides up to 100% up-front, long-term financing to property owners for qualified improvement. Audit, construction and financing costs can be wrapped into **PROPERTYFIT** Financing.
LONG-TERM FINANCING	While commercial real estate lenders generally provide only five to 10 year financing, the longer-term, fully amortized nature of the **PROPERTYFIT** Financing allows building owners to pursue more comprehensive capital-intensive building systems upgrades.
NO PERSONAL GUARANTEE	**PROPERTYFIT** is strictly property-based financing secured by a lien on the property. As a result, the owner of the property is not personally obligated to repay the assessment.
TRANSFERS UPON SALE	The Benefit Assessment Lien is attached to the land. If an owner wants to sell the building before the **PROPERTYFIT** financing is repaid the unpaid balance automatically transfers with ownership.

COST RECOVERY	Owners are less likely to make major energy improvements when they pay for the improvements but tenants receive the benefits through lower utility bills. Under some leases, the **PROPERTYFIT** structure may enable an owner to pass the benefit assessment onto the tenants, thus solving the split incentive.

Property Owners are strongly encouraged to conduct their own evaluation and consult with their attorney, accountant or other professionals to determine the appropriate treatment of the benefit assessment.

FOR BUILDING PERFORMANCE AUDITORS, ARCHITECTS/ENGINEERS AND CONTRACTORS

PROPERTYFIT financing can remove barriers that stall projects, namely lack of access to capital or a mismatch between owner return expectations and the cost and scope of a proposed project. By enabling a property owner to access up to 100% financing to pay for the cost of building resiliency improvements with a term based upon the weighted average useful life of the those improvements, deeper, more comprehensive building improvements now become affordable.

FOR MUNICIPALITIES

In addition to the environmental benefits achieved through reducing carbon production, **PROPERTYFIT** is an economic development tool. By lowering water and energy consumption, and improving a buildings seismic resiliency, building upgrades create a more competitive environment for retaining and attracting new business. Building upgrades also create jobs and reduce greenhouse gases and other pollutants and help to maintain the community's commercial building stock.

FOR CAPITAL PROVIDERS

PROPERTYFIT expands your origination opportunities and adds to your product offerings – increasing your value to new and existing clients. It is also a very secure investment as the Benefit Assessment Lien, like all public benefit assessments, sits in a senior position to other encumbrances on the property, and is junior only to real property tax liens.

FOR EXISTING MORTGAGE HOLDERS

Cost savings achieved because of the building resiliency improvements can help repay the **PROPERTYFIT** financing. As a result, a building may see increased net operating income, increased debt coverage ratio, increased value, and an immediate return on investment. Which means that the existing mortgage holder's loan is more secure and the property becomes more attractive to current and potential tenants and future buyers. In addition, the **PROPERTYFIT** assessment does not accelerate. In the event of a default, only the amount of the assessment in arrears is due, a relatively small portion of the entire **PROPERTYFIT** benefit assessment.

The Numbers

Existing Buildings Numbers

Below is a sample project under different types of leases to illustrate how **PropertyFit** can impact the financial feasibility of an energy/water efficiency project. The sample compares the impact of a project funded with an owners own funds with 20-year and eight-year **PropertyFit** financing term. To simplify the analysis, some common assumptions have been applied to the project.

Project Costs	$200,000	Energy & Maintenance Cost Increases	0
Annual Energy Savings	$33,000	NPV[1] Discount Rate	8.00%
PropertyFit Interest Rate	6.00%	NPV & IRR[2] Horizon	10 years

Gross Lease Example

Under a gross lease the owner is responsible for payment of all real estate taxes, building insurance, and common area maintenance and repair expenses. The owner recovers these costs from tenants through the base rents. As a result, energy efficiency savings will flow directly to the owner's bottom line.

	Scenarios		
Annual Income Analysis	Owner-Funded	**PropertyFit** 20-Year Term	**PropertyFit** 8-Year Term
Investment by Property Owner	$(200,000)	$ 0	$ 0
Energy Costs Savings	33,000	33,000	33,000
Benefit Assessment	0	(17,440)	(32,200)
EBITDA[3] Impact	$33,000	$15,560	$ 800
Investment Analysis			
Cash Flow Year 1	$(167,000)	$15,560	$ 800
Cash Flow Year 2	33,000	15,560	800
Cash-on-Cash IRR	13.4%	N/A	N/A
NPV on Cash Flow	36,248	104,409	36,391
Property Value Increase (6% cap rate)	$550,000	$259,333	$13,333

[1] Net Present Value (NPV) is the present value of a series of future payments and income.
[2] Internal Rate of Return (IRR) is the effective rate of return an owner can expect on an investment.
[3] Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

Unless this project were to replace failing equipment, it likely would not compete for owner funding because the IRR and NPV would not meet the risk-adjusted return rate typically applied to this type of project. Conversely, if this project were funded with 20-year **PropertyFit** financing, it would be cash flow positive as soon as the improvements were complete. And, it would generate $15,560 in net operating income annually, with a NPV nearly three times that of an internally funded project.

Triple-Net Lease Example

Under a triple-net lease, tenants are responsible for utility costs in their space. Real estate taxes, building insurance, and common area repair and maintenance are passed through to the tenant on a pro-rata basis based upon the leasable square footage they occupy.

	Scenarios		
Income Analysis	Owner-Funded	**PropertyFit** 20-Year Term	**PropertyFit** 8-Year Term
Investment by Property Owner	\$(200,000)	\$ 0	\$ 0
Energy Cost Savings	33,000	33,000	33,000
Energy Savings Shared with Tenant	(33,000)	(33,000)	(33,000)
Benefit Assessment	0	(17,440)	(32,200)
Assessment Recovered from Tenant	0	17,440	32,200
EBITDA Impact	\$ 0	\$ 0	\$ 0
Investment Analysis			
Cash Flow year 1	\$(200,000)	\$ 0	\$ 0
Cash Flow year 2	0	0	0
NPV on Cash Flow (8% discount rate)	(200,000)	0	0
Tenant's annual net saving/cash flow	\$33,000	\$15,560	\$800

As the "owner-funded" scenario demonstrates, energy savings generated from an investment made by the *landlord* go directly to the *tenant's* bottom line. This split incentive – landlord investment/tenant benefit – is the reason why so few sustainability projects are undertaken by landlords at properties with triple-net leases.

With **PropertyFit** Financing no upfront cash investment is needed from the owner. In tenanted buildings when the benefit assessment is recovered from the tenant(s), it enables a Property Owner to improve the property's energy efficiency with no negative effect on the owner's EBITDA or net cash flow while the tenant's EBITDA and cash flow increase. By adjusting the term of the **PropertyFit** Financing the Property Owner can optimize the net impact on both, providing a win/win for both owner and tenant(s).

It is important to recognize that these examples are gross simplifications for illustrative purposes. Each property and each lease has its own unique terms and conditions that need to be considered. Owners are encouraged to consult with their own financial advisor, attorney and accountant to evaluate how **PropertyFit** can fit into their asset management, capitalization, and sustainability strategies.

New Construction Numbers

PropertyFit is one of the first programs in the nation to offer property assessed financing for new construction projects which can accelerate the development of greener, more efficient buildings. **PropertyFit** unlocks capital to achieve superior building performance at more favorable terms then traditional mezzanine debt or preferred equity. It will change the makeup of your capital stack and can significantly reduce your weighted average cost of funds.

Projects must exceed energy code by 15 percent. If they do, **PropertyFit** can finance up to 15 percent of eligible construction costs. Want to go deeper? If your project exceeds code by 30 percent, **PropertyFit** can finance 25 percent of eligible construction costs – a strong incentive for owners and developers to construct high efficiency buildings. Let's compare its impact in a sample $10 million new construction project.

SAMPLE INVESTMENT TERMS CAPITAL SOURCE	RATE	MAX CLTV
EQUITY	15.00%	100%
MEZZ DEBT	10.00%	90%
PROPERTYFIT	6.00%	100%
SENIOR DEBT	5.00%	70%

Investment terms vary by investor and type of capital invested. We've assumed these investment rates and loan-to-value limits in our example.

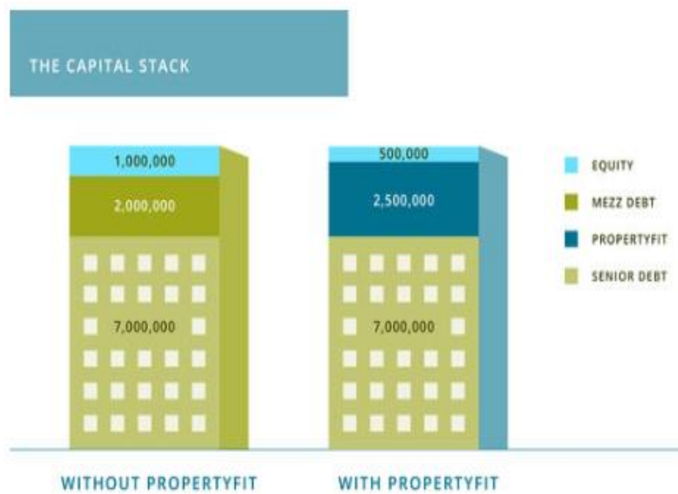
Run the numbers on your own project to see the impact **PropertyFit** can have. Capital Source Comparison Calculator

Project at 15% above Code

In this example, the project exceeded energy code by 15 percent. The result is that **PropertyFit** financing can substitute for 75 percent of the project's mezzanine debt needs and reduced the overall cost of funds by 60 basis points resulting in a $60,000 annual cost savings.

PROJECT AT 30% ABOVE CODE

Increase the efficiency of the project to 30 percent above code and PropertyFit can now substitute for the entire mezzanine debt tranche and cuts the equity investment in half. All while reducing the cost of funds by 125 basis points and saving the project $125,000 annually.



WHO TO CONTACT

For more information or questions about the Administrative Guidelines, Application Process, or Capital Provider Participation:

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For more information or questions about the Technical Standards or Contractor Enrollment contact:

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Administrative guidelines

This section outlines the **PropertyFit** guidelines that govern all participants in the program. All participants agree to adhere to the terms and conditions of the Administrative Guidelines, as amended from time-to-time by Program Administrator to reflect changes in market conditions. The Program Administrator reserves the right, at is sole discretion, to make exceptions to these guidelines on a case-by-case basis.

Key Definitions

Assessor	The Multnomah County Department of Assessment, Taxation and Recording.
Benefit Assessment Lien	The lien that is recorded against the property that establishes the benefit assessment and secures repayment of the **PropertyFit** Financing.
Capital provider	The entity that will provide financing for the Building Resiliency Improvements to complete the project.
PropertyFit Project	Building Resiliency Improvements made to Qualified Real Property, whether financed directly with **PropertyFit** financing or through incentives or other sources in combination with a **PropertyFit** financing.
Building Resiliency Improvements	Utility and Seismic Rehabilitation improvements made to Qualified Real Property authorized by ORS 223.680 and ORS 223.685.
Qualified Real Property	Commercial, industrial or multifamily residential (of five or more units) buildings located in Multnomah County that can benefit from Building Resiliency Improvements.
Program Administrator	Prosper Portland (formerly PDC).
Property Owner	The legal owner(s) of the "fee simple" interest in the Qualified Real Property (including nonprofit owners.)

Minimum Statutory and Program Requirements

Service Area	Multnomah County, Oregon
Eligible property	Qualified Real Property (see definitions)

ELIGIBLE APPLICANT	A Property Owner as defined above.
SECURITY	The financing is evidenced by a Financing Agreement and secured by Benefit Assessment Lien recorded against the Qualified Real Property. By statute the Benefit Assessment Lien has priority over all other liens recorded against the property, junior only to property taxes.
MINIMUM CREDIT STANDARDS	The Property Owner (and its controlling entity) must meet the following credit standards: ▪ Be current and in good standing on all debt owed to Multnomah County; ▪ Be current on all real property taxes; ▪ Not have outstanding involuntary liens, collections or charge-offs; ▪ Be current on all existing mortgages; and ▪ May not be in, or have filed for, bankruptcy in the past three years.
ELIGIBLE USES	Eligible uses include payment of: ▪ The cost of building performance audits; ▪ The cost of Building Resiliency Improvements to Qualified Real Property; ▪ The cost of non-building resiliency improvements that are directly related to the installation of Building Resiliency Improvements (e.g. roof upgrades to support a roof-mounted solar PV installation); ▪ Commissioning; and ▪ Fees, reserves and other **PROPERTYFIT** program costs.
LIEN-TO-VALUE (LITV)	Maximum of 30 percent of the "after completed" value of the property
APPRAISAL REQUIREMENTS	The property value for lien-to-value purposes will be first evaluated by reviewing the real market value as determined by the Assessor. If the project performs within the LiTV limitations, this value will be adequate for administrative review purposes. If the LiTV limit is exceeded using the Assessor's real market value, a current appraisal may be required. This requirement will be influenced by the needs of existing mortgage holders that must consent to the filing of the Benefit Assessment Lien and the underwriting requirements of the Capital Provider. In the case of new construction, where an Assessor established real market value is not available, a current appraisal will be required. You can access current Assessor data from Portland Maps.
MAXIMUM TERM	The weighted average useful life of approved Building Resiliency Improvements as determined by Program Administrator.

AMORTIZATION

The **PROPERTYFIT** financing must be fully amortized over its term. Balloon payments are not allowed.

TYPE OF FINANCING

PROPERTYFIT financing can be used as either construction/permanent or take-out financing as negotiated with the Capital Provider. In either case, all projects must meet the technical standards and the Program Administrator must have issued a preliminary determination of eligibility before the building permit for the project is issued by the local jurisdiction. In addition, projects that use **PROPERTYFIT** as take-out financing must demonstrate that the following requirements have been met before the **PROPERTYFIT** financing will be allowed to close:

- The Building Resiliency Improvements as proposed in the original application are complete, and:
    - For *Existing Building* projects with smaller, independent measures, that the equipment installed met or exceeded original performance specifications; or
    - For *New Construction/Major Renovation* projects that:
        - The final occupancy certificate has been issued by the local jurisdiction;
        - The architect has certified that the building was constructed per plans and specifications; and
        - The building performance auditor has certified that the building as constructed is expected to perform at or above the projections originally provided in the building audit report(s).

PAYMENT AND SERVICING

The Program Administrator issues the official **PROPERTYFIT** benefit assessment statements annually in July, with payment due to the Capital Provider in three equal installments on the following October 1, January 1 and April 1. The Capital Provider manages standard payment collection so long as the financing is not in default. If the account becomes delinquent, the Capital Provider may request that the delinquency be certified to the Assessor for collection through the standard property tax collection system.

EVIDENCE OF OWNERSHIP AND ENCUMBRANCES

A preliminary title report is required prior to closing to show evidence of ownership and all encumbrances recorded against the property.

MORTGAGEE CONSENT

Where there is an existing mortgage or deed of trust recorded against the property, the mortgagee must:

- Be given written notification (Lender Notice) that the Property Owner intends to enter into a Financing Agreement;
- Provide its written consent (Lender Consent) for the Property Owner to enter into the Financing Agreement; and
- Confirm in writing that the proposed **PROPERTYFIT** financing does not constitute an event of default under the terms of existing agreements between Property Owner and mortgagee.

PROGRAM ADMINISTRATION FEES

ADMINISTRATIVE PROCESSING FEE

PROPERTYFIT is designed to be a self-sustaining program with the fees generated by the program fully supporting its administration. Those fees must be adequate to cover the costs, yet reasonable to keep overall costs attractive to all participants. The three percent (3.00%) processing fee reflected in this Program Guide represent the retail pricing for projects when Prosper Portland provides building owners and contractors with comprehensive assistance in evaluating options and assembling the necessary components of a complete **PROPERTYFIT** application, including:

- Development of preliminary scope of work
- Preliminary determinations of eligibility
- Facilitation of building performance audit(s)
- Independent third party review of utility savings projections (if applicable)
- Financial modeling to support decision making
- Facilitation in gaining existing mortgagee consent
- Development of final scope of work
- Final determination of eligibility
- Facilitated construction bid process
- Facilitated capital provider identification
- Preparation of closing documents
- Filing of Benefit Assessment Lien

Projects originated directly by Capital Providers or qualified financial consultants which are delivered to Program Administrator with all components of the application complete may qualify for wholesale pricing. For more information about qualifying for wholesale pricing contact Shelly Haack.

Also note that Property Owners are responsible for all third party fees including the cost of the building performance audit report(s). Third party costs are considered an Eligible Use and can be included in the PROPERTYFIT financing and reimbursed upon closing.

ON-GOING PROPERTYFIT SERVICING FEE

The Financing Agreement must also include an annual PROPERTYFIT Servicing Fee equal to one-half of one percent (0.50%) of outstanding balance of the PROPERTYFIT financing. The On-going servicing fee will be specifically detailed in the payment schedule and will be collected by Capital Provider as part of the periodic installments collected from the Property Owner. Capital Provider will remit the PROPERTYFIT Servicing Fee to Program Administrator annually per the terms of the Capital Provider Agreement.

PARTICIPATION IN REBATE/INCENTIVE PROGRAMS

Although not required, PROPERTYFIT strongly encourages Property Owners to participate in all rebate and incentive programs available to the project based upon the proposed Building Resiliency Improvements. Rebates and incentive programs provide participants with cash payments or tax credits for implementing Building Resiliency Improvements, thus reducing overall project costs. This can lower the amount a Property Owner will need to finance. Rebate and incentive programs can also act as a third-party check on the validity of the proposed Building Resiliency Improvements and their likely cost savings, thus reducing additional PROPERTYFIT project review costs that would otherwise be passed on to the Property Owners. To learn more about incentives and rebates visit:

Energy Trust of Oregon | Portland General Electric | Pacific Power

Northwest Natural Gas | Oregon Department of Energy | US Dept. of Energy

Portland Water Bureau

Technical Standards and Review – Utility Improvements (ORS 223.680)

These Technical Standards describe the requirements to which all Utility Improvement projects under ORS 223.680 must comply. The methodology is designed to provide a flexible framework within which to qualify and manage the multiple and varied Utility Improvement projects applying to **PropertyFit**. Projects may follow one of two approaches based upon whether it is an existing building or a new construction/major renovation project.

Eligible/Ineligible Utility Improvements

Eligible Utility Improvements

Utility Improvements eligible for **PropertyFit** financing must:

- Lower a building's energy consumption;
- Lower a building's water consumption;
- Generate renewable energy;
- Enable on-site energy storage; or
- Create or improve a property's capacity to charge electric vehicles;
- and
- Be permanently affixed to the property and taxed as "real" vs. "personal" property by the Assessor.

A few examples of proven energy efficiency and water conservation technologies include:

- HVAC upgrades
- Automated building controls
- Variable speed drives on motors, fans and pumps
- Electric vehicle charging stations
- On-site energy storage systems
- GeoExchange
- High efficiency:
  - Lighting
  - Chillers
  - Boilers
  - Furnaces
  - Water heating systems
- Combustion and burner upgrades
- Heat recovery
- Steam trap monitoring
- Building envelope improvements
- Energy management systems
- Automatic faucet sensors
- Low-flow plumbing
- Grey water irrigation systems
- Rain water harvesting systems
- Irrigation rain sensors
- Renewable energy systems:
  - Solar
  - Fuel Cells
  - Wind

In addition, the costs of non-utility improvements that are directly related to the installation of eligible Utility Improvements are eligible

(e.g. roof upgrades to support a roof-mounted solar PV installation, drywall replacement.)

INELIGIBLE UTILITY IMPROVEMENTS

Utility improvements ineligible for the PROPERTYFIT Financing include:

- Appliances (e.g. refrigerators, dishwashers);
- Plug load devices;
- Vending machine controls; or
- Any measure that is easily removed or not permanently installed.

EXISTING BUILDINGS

EXISTING BUILDING – UTILITY AUDIT REQUIREMENTS

Property Owners, with the assistance of qualified building performance experts, are required to submit an energy and/or water audit and a scope of work that defines the proposed Utility Improvements. This scope can range from installation of a single Utility Improvement to a project involving multiple Utility Improvements measures.

TECHNICAL METHODOLOGY

PROPERTYFIT is designed to leverage the energy audit capacity of Energy Trust. When Energy Trust is funding an energy audit, PROPERTYFIT will defer to its technical methodology in the performance of the audit. Building performance audits conducted outside of Energy Trust must be based upon protocols described below. The level of audit will be influenced by a number of factors, including the number, and complexity of the Utility Improvements and the project's anticipated total capital investment.

- American Society for Testing and Materials (ASTM) E2797-15, Building Energy Performance Assessment (BEPA) Standard directed at data collection and baseline calculations for the building energy audit; and
- American Society of Heating, Refrigeration and Air-Conditioning Engineers (ASHRAE) Level I, Level II, and Level III Energy Audit Guidelines; or,
- Water audit criteria described below.

ENERGY AUDIT CRITERIA

An energy audit or renewable energy feasibility analysis conducted by a Qualified Individual is required. The audit report must provide:

- A representative, weather normalized baseline;
- Historical electrical and/or fuel use costs, consistent with ASTM

E2797-15;

- A description of the proposed energy measure(s);
- The estimated effective useful life (EUL) for each energy measure;
- The estimated total installed cost of each energy measure;
- The estimated total project cost;
- The source used to establish energy measure costs;
- The uncertainty (+/-) associated with the methodology used to establish energy measure costs;
- The estimated energy savings and/or energy generation that can confidently be achieved;
- The estimated energy cost savings that will result from the energy measures; and
- The uncertainty (+/-) associated with the methodology used to estimate the energy savings.

WATER AUDIT CRITERIA

A water audit conducted by a Qualified Individual is required for projects that include significant water efficiency measures. The audit report must provide:

- A representative, weather normalized baseline;
- Historical water use costs;
- A description of the proposed water measure(s);
- The estimated effective useful life (EUL) for each water measure;
- The estimated total installed cost of each water measure;
- The estimated total project cost;
- The source used to establish water measure costs;
- The uncertainty (+/-) associated with the methodology used to establish water measure costs;
- The estimated reduction in the building's water consumption that can confidently be achieved;
- The estimated water cost savings that will result from the water measures; and
- The uncertainty (+/-) associated with the methodology used to estimate the water savings.

QUALIFIED INDIVIDUAL

All energy audits must be prepared by an energy engineer or by a team with an energy engineer. An energy engineer is defined as a professional holding:

- An engineer with relevant demonstrated experience in evaluating a buildings water consumption and impact of various water conservation measures;
- A Certified Energy Manager (CEM);

- A Certified Energy Auditor accreditation (CEA);
- A Professional Engineer (PE) with demonstrated relevant energy experience; or
- A contractor with relevant demonstrated experience as determined by Program Administrator.

AUDIT ELIGIBILITY

The Property Owner is responsible for the cost of the energy/water audit which may be incorporated into the **PROPERTYFIT** financing and reimbursed at closing. Audits previously conducted for the building may be eligible at the Program Administrator's discretion. Factors such as scope and age of the audit and whether existing conditions have changed since the audit was completed will be considered.

Energy audits may be obtained through the Energy Trust or an independent entity. Energy Trust may cover all or a portion of the energy audit cost if it is conducted under an Energy Trust program.

AUDIT PROCESS

The level of audit will depend upon several factors, including but not limited to: the number and complexity of the Utility Improvements, size (cost) of the project, property type, and the Property Owner's desired level of certainty about utility cost savings. It will generally consist of:

- An on-site survey of the building to assess a building's utility cost and potential Utility Improvements (single or multiple);
- A utility bill analysis to assess its efficiency; and
- A report summarizing a building's utility use, recommended eligible Utility Improvements, projected cost savings, and payback period.

The on-site survey may target a specific building component that is intended to be replaced, upgraded or added, or could include checking all major utility-using systems. If the latter, a more rigorous technical analysis study is warranted.

EXISTING BUILDING UTILITY USE BASELINE

The ASTM Building Energy Performance Assessment (BEPA) protocol established a standardized methodology for baseline building energy use data collection, compilation and analysis. The methodology is intended to fill data collection and analysis gaps in the ASHRAE audit guidelines and establish a sound, representative building energy use baseline. The ASTM BEPA methodology standardizes a number of major variables associated with data collection and analysis. AASTM BEPA methodology principles should also be applied in developing baseline building water use. This overarching methodology dictates the data and history that should be collected at each site. Preferably, baseline period over which the building's utility consumption data is collected should be three years, or back to the last major renovation if completed in less than three years, with a minimum of one year of data collection.

For buildings where it is impossible or prohibitively difficult to obtain the required historical utility consumption data, the following methodologies may be used to establish baseline building utility use. A building utility use simulation model can be used to project utility use after the Utility Improvements are complete and compare it to a modeled baseline which may be determined using equipment as specified in the building code, or a modeled baseline determined based upon existing equipment (that may no longer be operating.) Ultimately, the Program Administrator has responsibility and sole discretion to approve the appropriate utility use baseline for a particular project.

Utility Use Baseline Table

	Building Description		
Building Type	Existing	Existing	Existing
Equipment/ Systems	Existing	Existing	Existing
Proposed Use	No change	No change	New
Occupancy	Fully Occupied	Partially Occupied or Vacant	Vacant
	Baseline Requirement		
Utility use data	Existing utility data	Supplement existing utility data with utility use simulation model to achieve full occupancy estimates	Utility use simulation model based upon full occupancy under new use
Utility modeling based upon	Existing equipment, regardless of estimated remaining life	Existing equipment, regardless of estimated remaining life	Existing equipment, regardless of estimated remaining life

New Construction/Major Renovation

New construction and major renovation present unique opportunities and challenges for the **PropertyFit** program. This financing structure can unlock capital to enable a Property Owner to achieve higher building performance – improvements that are often "value engineered" out of a project – and, it may also replace all or a portion of high cost mezzanine financing. The challenge is isolating the cost of Utility Improvements independent of the larger project. To take advantage of the opportunities and address the challenges, **PropertyFit** has established the following requirements for new construction and major renovation projects. All program requirements outlined elsewhere in this Program Guide apply unless specifically modified below. New construction/major renovation projects may opt to use the existing buildings approach if preferred.

New Construction/Major Renovation Savings Requirements and PropertyFit Financing Caps			
Type of Project	*Utility Improvement Scope*	*Energy Cost Savings Above Baseline**	PropertyFit *Financing Cap (as a % of Total Construction Costs)*
Minimum Threshold	Core and Shell only	15%	15%
	Core, Shell with build out	20%	
Reach Threshold	Core and Shell only	30%	25%
	Core, Shell with build out	40%	

* On new construction/major renovation projects no more than 50% of the saving above threshold can come from renewable energy.

Definition of New Construction	The construction of an entirely new structure(s).
Definition of Major Renovation	A major renovation involves major HVAC renovation, significant envelope modifications, and major interior rehabilitation of an existing building.
Definition of Core and Shell	The construction of a new structure where only the base building is constructed including the structure, building enclosure, and central building mechanical systems. The tenant lighting system is not installed. For utility modeling purposes, the efficiency of the building systems can be applied, while the lighting power density is assumed to be the code maximum.
Definition of Core and Shell with Build-Out	The construction of a new structure where the entire building is designed and ready to be occupied, including the tenant fixed overhead lighting system. Tenant furnishings and task lighting do not need to be installed to be considered Build-Out.
Appraisal Requirements	Copy of the primary construction lender's appraisal detailing the "as is", "as completed" and "as stabilized" values.
New Construction Baseline	The 2014 Oregon Energy Efficiency Specialty Code.
Additional Audit Requirements	In lieu of the Auditing Requirements listed for existing buildings, provide a report using the Whole Building Approach methodology in the 2014 Oregon Energy Efficiency Specialty Code, showing that the building plans achieve the required savings above baseline. Baseline should be calculated using the State Energy Efficient Design (SEED) Appendix L modeling guideline.
Definition of Total	All direct and indirect costs of materials, labor and soft costs related

CONSTRUCTION COSTS	to design, evaluation, installation and construction of the new structure. This includes audit costs, architecture and engineering fees, surveys', contractor general conditions, financing, legal and other fees.
EXCLUDED COSTS	▪ Land costs and off-site improvements ▪ Environmental remediation ▪ Equipment not permanently installed on the property ▪ Developer and legal fees

RENEWABLE ENERGY FEASIBILITY ANALYSIS REQUIREMENTS

PROPERTYFIT requires a renewable energy feasibility analysis that assesses the energy cost savings over the project's useful life. Studies will differ in content based upon the type of renewable energy project, but at a minimum must:

- Be prepared by an appropriately licensed individual with the necessary credentials to perform the study;
- Describe the proposed renewable energy system;
- Identify and evaluate the suitability of the building/site for the proposed improvement (including determining the structural integrity of the buildings to support a rooftop solar PV installation if roof-mounted solar is part of the planned Utility Improvements);
- Collect historical data on the building's electrical and fuel use and cost;
- Assess the improvements' expected performance, energy production and requirements to maintain optimized operation (including estimated maintenance costs);
- Compare improvements' expected performance (electricity and/or heat production) against total energy consumption of the building;
- Estimate the effective useful life (EUL) of each Utility Improvement; and
- Estimate total cost to acquire and install each Utility Improvement.

REVIEW OF THE AUDIT/STUDY

The complete audit/study is submitted to the Program Administrator, or its representative, to validate that the scope of work meets the required technical standards, the Utility Improvements meet **PROPERTYFIT** eligibility requirements, the recommended Utility Improvements are technically and financially feasible, and all stakeholder underwriting data needs are satisfied. The Program Administrator will also evaluate the project's key financial metrics (ROI, IRR, NPV, SIR, cash flow and payback period) based on the anticipated term of the **PROPERTYFIT** financing.

Cost Estimates

Cost estimates in the building performance audit(s) are estimates only. Prior to closing of the **PropertyFit** financing, cost estimates must be updated with final costs based upon the construction/installation contracts executed between Property Owner and Enrolled Contractor.

Although not required, the Property Owners may want to solicit multiple bids in order to ensure a competitive price for the purchase and installation of the Utility Improvements. The Program Administrator will review final contract amounts to determine that the final Utility Improvement scope of work is compliant with the requirements of ORS 223.680, ORS 223.685 and this guide.

Utility Improvement Installation

Property Owner will enter into an agreement with an Enrolled Contractor to perform the installation of the Utility Improvements. Program Administrator or Capital Provider may conduct a site visit(s) during and at the completion of the project to monitor and verify installation.

TECHNICAL STANDARDS AND REVIEW – SEISMIC REHABILITATION IMPROVEMENTS (ORS 223.685)

IN DEVELOPMENT

APPLICATION PROCESS

PARTIES TO THE TRANSACTION

There are multiple parties to a **PROPERTYFIT** transaction and each plays a distinct role in the process. These include:

PROPERTY OWNER	The legal owner of the "fee simple" interest in the Qualified Real Property upon which the Building Resiliency Improvements will be installed/constructed.
PROGRAM ADMINISTRATOR	Prosper Portland is the Program Administrator and manages and promotes the program throughout Multnomah County; enrolls contractors and capital providers; determines eligibility of individual projects; files the Benefit Assessment Lien; issues the annual benefit assessment statement; facilitates foreclosure when necessary; aggregates program data and produces periodic program reports.
CAPITAL PROVIDER	Capital Provider underwrites the **PROPERTYFIT** financing transaction and determines whether to invest in the project. If so, the Capital Provider will enter into a Financing Agreement with the Property Owner that details the terms and conditions under which that investment will be made. The Capital Provider will control disbursements of the financing to reimburse Property Owner for costs incurred in the installation/construction of the approved Building Resiliency Improvements on the Qualified Real Property. Once the project is complete, Capital Providers will also perform servicing functions and collect assessment payments directly from the Property Owner.
ENROLLED CONTRACTOR	A licensed contractor which has enrolled in **PROPERTYFIT** and with whom the Property Owner has contracted to complete the Building Resiliency Improvements.
BUILDING PERFORMANCE AUDITOR	The entity/individual that will perform the assessment of the building and the proposed improvements who meet the qualified individual requirements outlined in the Technical Standards section of this Program Guide.
OWNERS REPRESENTATIVE	An individual or entity that represents the owner and acts the owner's project manager in the development and execution of the project's scope of work. This is often the case with large projects or those that are part of a large building renovation.

The Process

PropertyFit's follows a traditional loan origination and closing process with a few additions that evaluate the scope and impact of the building resiliency improvements. In general, projects will progress through the following steps:

Project Scoping

An interested property owner or their representative makes an inquiry and provides the Program Administrator with basic information about the property and proposed scope of work along with rough estimates of the cost of those improvements and the utility savings that might be achieved. The rough scope and cost estimates will be refined as the project moves through the process, but these very preliminary numbers help the Program Administrator provide direction on how to proceed with the project.

The Program Administrator will review the information and determine whether the Property Owner and project appear eligible for **PropertyFit**. If so, the Program Administrator will encourage the Property Owner to submit a formal Application.

Application Processing

The Property Owner must submit a complete Application with the required supporting documents to begin the formal application process. During this phase, the Program Administrator will review the application materials, request any supplemental information needed and provide direction about how to proceed with the building performance audit(s) that will be needed to complete the application package. Please see the Technical Standards section of this guide for detail on the building performance audit(s) requirements. The building audit(s) will inform the final scope of work for the project which in turn will enable contractors to provide final cost estimates for the installation of the Building Resiliency Improvements.

A critical part of the application is obtaining consent from existing lenders to the filing of the Benefit Assessment Lien as required by Oregon Statute. Once the scope of work and project costs are developed to a point that the financial structure of the transaction can reasonably be projected, existing mortgage holders must be notified (Lender Notice) of the pending **PropertyFit** transaction and its written consent obtained (Lender Consent) to the filing of the Benefit Assessment Lien. Both documents are required before the Program Administrator will issue a final determination of eligibility and authorize closing of the transaction.

Capital Provider Solicitation/Underwriting (if necessary)

Within the broad parameters of the **PropertyFit** Administrative Guidelines, the Capital Provider will establish its own underwriting standards, complete its own due diligence, and make an independent determination about whether it wishes to invest in any particular project and the

Property Owner will select and negotiate terms with the Capital Provider with which it want to do business.

If a Property Owners has identified a Capital Provider that is not enrolled in **PropertyFit**, the Program Administrator will work with them to complete the process. If a Property Owner has not identified a Capital Provider, the Program Administrator can facilitate solicitation of term sheets from the list of enrolled Capital Providers. This solicitation will include providing the Capital Providers with a copy of the **PropertyFit** application and supporting documentation.

Commitment and Final Determination of Eligibility

After the underwriting process is complete the Capital Providers will issue a conditional approval or financing commitment letter outlining the terms of their financing, including any conditions of closing. At that point, a copy of the Capital Provider's approval letter, the final scope of work, construction contracts, Lender Notice and Lender Consent letters, and any remaining **PropertyFit** application materials must be submitted to the Program Administrator for final review.

The Program Administrator will then determine whether all statutory and program requirements have been met, and if so, will issue a final determination of eligibility letter to the applicant with a copy to the Capital Provider. The final determination may include a list of any final outstanding conditions that must be met before the Benefit Assessment Lien will be released for recording.

Closing

Once all approval conditions have been met to the Capital Provider and Program Administrator's satisfaction, documents will be prepared for closing the transaction. The Capital Provider will enter into a Financing Agreement with the Property Owner for implementation of the project. Subject to the terms of the Capital Provider Agreement and the requirements of this Program Guide, the Capital Provider may use its own forms of agreement in closing the **PropertyFit** financing. Links to documents that meet the State of Oregon statutory requirements are provided in the Sample Documents and Forms section of this Program Guide.

In addition to the Financing Agreement between the Property Owner and Capital Provider, each must enter into an agreement with the Program Administrator which will outline the terms, conditions and authorities under which the Benefit Assessment Lien will be governed. These agreements include:

- Capital Provider Agreement
- Property Owner Agreement
- Notice of Benefit Assessment Lien

Once the Program Administrator has received the executed documents and confirmed that all closing conditions have been met it will record the Benefit Assessment Lien with the Multnomah County Recorder's office.

Construction/Disbursement Management

The Capital Provider is responsible for overseeing installation of the Building Resiliency Improvements and managing disbursements of **PropertyFit** financing during construction per the terms of its **PropertyFit** financing agreement. The Property Owner should refer to that agreement to determine the Capital Provider's requirements for periodic inspections, progress payments and change orders.

Construction Close-out

The Property Owner should review the financing agreement to determine the process the Capital Provider will require to close-out the construction phase of the project and to move it into the permanent financing stage. Part of this process may be to amend the Benefit Assessment Lien to account for any adjustments to the principal amount of the Benefit Assessment associated with capitalization of construction interest or any other cost adjustments incurred during construction of the project. If so, the Capital Provider will notify the Program Administrator who will prepare an Amendment to Benefit Assessment Lien and Restatement of Assessment Payment Schedule for execution and recording with the county recorder. Any adjustments to the payment schedule must fully amortize the amount financed over the remaining terms of the agreement.

Servicing/Repayment

Benefit assessment payments are designed to synchronize with the property tax system. As such, installments will be assessed on an annual basis running concurrently with the property tax assessment year of July 1 to June 30. The Program Administrator will issue an annual benefit assessment statement to the Property Owner by July 1 which will require three installments be paid by the succeeding October 1, January 1 and April 1 of that assessment year. Payments will be made directly to the Capital Provider and so long as Property Owner is adhering to the assessment payment schedule, the Capital Provider will perform all remaining servicing functions. Should the Property Owner (or succeeding owner) default on the **PropertyFit** financing the Capital Provider has the option to request that the Program Administrator submit the account to the Assessor for collection and possible foreclosure through the property tax collection system.

Property Owner Reporting

Property Owner must comply with the City of Portland's Commercial Building Energy Performance Reporting Policy as amended, regardless of building size or location. This policy requires owners of commercial buildings to track energy use with the ENERGY STAR® Portfolio Manager web-tool, and report energy performance information to the City of Portland annually. In lieu of completing an annual **PROPERTYFIT** energy report, Property Owner must provide **PROPERTYFIT** with read-only access to their ENERGY STAR® Portfolio Manager account. A detailed how-to guide, additional policy information and resources to improve your building performance are available on the policy website at City of Portland - Benchmarking.

PRIVACY/PUBLIC INFORMATION

Multnomah County and Program Administrator are subject to the Oregon Public Records Law (ORS 192.410 to ORS 192.505). As such, to the extent any of the documents in a **PROPERTYFIT** Financing transaction constitute "public records" under the public records law, for which the public has the right to inspect, such records shall be made accessible and opened for public inspection in accordance with the public records law and Multnomah County policies. Nothing contained herein shall limit the Capital Provider's or Property Owner's right to defend against disclosure of records alleged to be public pursuant to the public records law.

Contractor Enrollment

Eligibility

"Contractor" is defined as any agent, employee or subcontractor thereof who performs work required for the installation of the Building Resiliency Improvements. Contractors can also be individuals or companies performing commission or other forms of project verification.

Building Resiliency Improvements must be installed by a licensed contractor. The Property Owner is free to select a contractor of their choice so long as they meet the following minimum requirements. By establishing contractor enrollment criteria, **PropertyFit** is not recommending a particular contractor or warranting the reliability of any such installer. Eligibility requirements include:

CCB License(s)	An active license in good standing with the Oregon Construction Contractors Board (CCB). Contractors may only install Building Resiliency Improvements for which they have an appropriate CCB license. All solar PV and solar thermal systems installers must have the proper certifications and hold the appropriate contractor's license. See requirements here: Solar Installer Technical Requirements.
Business License(s)	A valid business license for any jurisdiction where the contractor will be performing work.
Insurance Requirements	Meet the CCB's bonding and workers compensation insurance requirements and carry general liability coverage with limits no less than $1,000,000 per occurrence.
Time in Business	Provide evidence that they have operated the business for a minimum of one year, installing the equipment, products, or materials indicated on their contractor's license or provide evidence of equivalent experience.
Commitment to Social Equity	Contractor must describe how it will contribute to advancing **PropertyFit's** Social Equity Commitment.

Enrollment

Contractors are an integral part of **PropertyFit's** success. Contractors may enroll in **PropertyFit** by completing and submitting the Contractor Enrollment form which is accepted on a rolling basis. In the event that a non-enrolled contractor brings a project to **PropertyFit**, the program will work with the contractor to become enrolled to prevent delays of the financing application. Enrolled contractors will be listed on the **PropertyFit** website.

PROPERTYFIT has the discretion to approve and deny contractor applications based upon its assessment of the contractors ability to meet the eligibility criteria above and a review of the information in the application. PROPERTYFIT reserves the right to disqualify contractors if they are found to be in violation of any of the standards set forth in this Program Guide or for any other reason that PROPERTYFIT finds to be in violation of good business practices.

Participation and Reporting

All enrolled contractors are expected to periodically participate in PROPERTYFIT sponsored trainings and networking activities. Additionally, Prime contractors are required to provide the names of the top five sub-contractors, their scopes of work, and the contract amount upon completion of each project to help track participation of State or Federal certified minority, women owned or disadvantaged firms (certified firms) in the PROPERTYFIT program.

Construction/Installation Standards

Selecting a Contractor

Although not required, PROPERTYFIT encourages Property Owners to do research and seek bids from multiple contractors before signing a contract. PROPERTYFIT is a financing program only and does not endorse contractors who enroll in the program. Neither PROPERTYFIT nor the Program Administrator is responsible for determining the appropriate equipment, price or contractor for the PROPERTYFIT Project. Similarly, PROPERTYFIT is not responsible for the installed Building Resiliency Improvements or their performance. Should there be any unsatisfactory performance or other system-related issues that arise during or after installation, the Property Owner must address those directly with the responsible contactor according to the terms of the contract between the two parties. Click here for more information about finding a reliable contractor.

Permitting

All work must be performed in accordance with all applicable federal, state, and local codes and standards. Property Owners and Enrolled Contractors are required to obtain all necessary building, electrical, plumbing and other permits, pass all required local inspections, and fully comply with applicable codes and standards. Copies of all permits and inspections must be provided to the Program Administrator before construction begins (permits) and upon completion of the Building Resiliency Improvements (inspection sign-offs).

Subcontractors

The prime contractor must ensure that all subcontractors comply with the eligibility, terms, and conditions of PROPERTYFIT; have a current license in the specialty for the work being done; and are limited to performing only work for which they are licensed. The Primary Enrolled Contractor is responsible for all work performed by any subcontractor.

WARRANTY

Contractor must warrant to Property Owner that all materials and equipment installed as part of the **PROPERTYFIT** project are free from original defects in material, workmanship, design and installations for a minimum of one (1) year from the date of completion of the work. Contractor shall remedy any such defect, at its sole expense and cost, during the warranty period.

ENROLLED CONTRACTORS

Click here for a list of Enrolled Contractors.

CAPITAL PROVIDER PARTICIPATION

PROPERTYFIT is an open market program. Enrolled Capital Providers have the opportunity to bid on projects as they are originated by **PROPERTYFIT** or to originate projects directly. Additionally, Property Owners may bring a Capital Provider to **PROPERTYFIT** to fund their project.

The Property Owner is free to select a Capital Provider of their choice so long as the Capital Provider meets these minimum requirements. By establishing enrollment criteria, **PROPERTYFIT** is not recommending any particular Capital Provider. Eligibility requirements include:

ELIGIBILITY

TYPE OF ENTITY	▪ Federally insured depository institution; ▪ Insurance company authorized to do business in Oregon; ▪ Registered investment company, business development company or a Small Business Administration small business investment company; ▪ A US Treasury certified Community Development Financial Institution; ▪ Any publically traded entity; or ▪ Any accredited investor.
COMMITMENT TO SOCIAL EQUITY	Capital Provider must describe how it will contribute to advancing **PROPERTYFIT'S** Social Equity Commitment, including how it will support and encourage prime contractor's reporting requirements.

ENROLLMENT

To participate in **PROPERTYFIT** all Capital Providers must complete the required Capital Provider Application and Participation Agreement, and agree to only provide **PROPERTYFIT** financing for projects which adhere to the requirements of this **PROPERTYFIT** Program Guide (as amended from time-to-time by Program Administrator.) The Program Administrator reserves the right to approve, reject or rescind approval of the Capital Provider's participation in **PROPERTYFIT**. Additionally, the Capital Provider is responsible for all expenses it may incur in preparing its submission.

Upon approval by the Program Administrator, the Capital Provider will be considered an Enrolled Capital Provider. As such, Capital Provider will be listed on the **PROPERTYFIT'S** website, will receive information from **PROPERTYFIT** regarding financing opportunities and other pertinent program information. This status also authorizes the Capital Provider to directly originate **PROPERTYFIT** financing transactions, subject to the terms and conditions of this Program Guide and the resulting Capital Provider Agreement which must be signed at closing of each transaction.

Ultimately, Property Owners are responsible for selecting a Capital Provider to fund their project and negotiating specific financing terms.

Financing Terms

Underwriting

The Administrative Guidelines and Technical Standards sections of this Program Guide outline the minimum standards that all **PropertyFit** projects must achieve. Capital Providers are free to establish its own financial underwriting standards within these administrative parameters. At closing of each **PropertyFit** transaction, the Capital Provider must enter into a Capital Provider Agreement that outlines the agreement between the Program Administrator and Capital Provider about the minimum financing terms and servicing requirements for that transaction.

Interest Rate, Fees and Financing Terms

The interest rate, fees and financing terms are negotiable between the Capital Provider and Property Owner which must be incorporated in the Financing Agreement. The term of the financing may be any length but cannot exceed the weighted average useful life of the Building Resiliency Improvements (as reviewed and approved by Program Administrator) and must be fully amortized by the scheduled maturity date.

Construction Advances

PropertyFit may provide financing for construction of a qualified project or may be used to finance a project upon completion of construction. When construction financing is provided, the Financing Agreement (and addendums thereto) between Property Owner and Capital Provider must include provisions relating to the timing of and requirements for construction advances/disbursements.

Servicing and Reporting

PropertyFit uses a hybrid servicing model wherein the Capital Provider retains a more traditional borrower/lender loan servicing relationship and the Benefit Assessment only enters the property tax collection system in the event of default. As a result, Capital Providers are responsible for the regular servicing of **PropertyFit** transactions and for coordinating annual reporting with the Program Administrator. These requirements are described in more detail in the Capital Provider Agreement which must be executed as a part of each **PropertyFit** financing transaction.

Enrolled Capital Providers

Click here for a current list of enrolled Capital Provider.

Resources, Sample Documents and Forms

County Resolutions

- Authorizing Resolution 2015-19 established Utility Improvement program under ORS 223.680.
- Authorizing Resolution 2016-118 established Seismic Rehabilitation program under ORS 223.685.

Tools

- Capital Source Comparison Calculator

Application Forms

Property Owner

- Application – 2.01
- Schedule of Mortgages (Application Addendum, tab 1)
- Schedule of Leases (Application Addendum, tab 2)
- Proposed Improvements (Application Addendum, tab 3)

Contractor

- Contractor Enrollment form

Capital Provider

- Capital Provider Application – 2.01

PropertyFit Closing Documents

The following documents are required on each **PropertyFit** transaction; the original executed documents must be in the Program Administrator's possession before the transaction will be authorized for closing and the Benefit Assessment Lien recorded.

- Property Owner Agreement – 2.01
- PropertyFit Risk Disclosure – 2.01
- Capital Provider Agreement – 2.01

- Schedule 1 - Schedule of Definitions – 2.01
- Exhibit A – Legal Description – 2.01
- Exhibit B – Existing Mortgage Holder/Lender Notice – 2.01
- Exhibit C – Existing Mortgage Holder/Lender Consent – 2.01

- Exhibit D – Building Resiliency Improvements – 2.01
- Exhibit E – Notice of Benefit Assessment Lien – 2.01
- Attachment 1-E - Assessment Payment Schedule – 2.01
- Exhibit F – List of Transaction Documents – 2.01
- Exhibit G – Amendment to Benefit Assessment Lien – 2.01
- Attachment 1-G – Restatement of Assessment Payment Schedule – 2.01

SAMPLE FINANCING AGREEMENT

In addition to the **PROPERTYFIT** closing documents, the Property Owners and Capital Providers must enter into a Financing Agreement that details the terms and conditions of the actual financing transaction. Below is a sample of the Financing Agreement Prosper Portland will use when it is acting as Capital Provider as well as Program Administrator. We strongly suggest that Capital Providers use these templates to craft their agreements because they include the appropriate Oregon statutory references and are cross references with the terms of the Capital Provider Agreement and Property Owner Agreement independently enter into with the Program Administrator.

- Financing Agreement – 2.01
- Exhibit H – Construction Funding and Disbursement Agreement Construction Funding and Disbursement Agreement – 2.01
- Attachment 1-H – Project Budget – 2.01
- Attachment 2-H – AIA Certification of Draw – 2.01
- Attachment 3-H – AIA Continuation Sheet – 2.01
- Attachment 4-H – Disbursement Request – 2.01
- Attachment 5-H – Interim Lien Claim Waiver – 2.01
- Attachment 6-H – Form of Property Owner Certification – 2.01
- Attachment 7-H – Final Disbursement Checklist – 2.01

General Terms and Provisions

Taxes

Property Owners are solely responsible for any local, state or federal tax consequences of their participation in **PropertyFit**.

Changes in State and Federal Law

PropertyFit's ability to provide the Benefit Assessment Lien security structure is subject to a variety of state and federal laws. If those laws or the judicial interpretation thereof, were to change after the Property Owner has applied (and, thereafter, may have incurred the costs in anticipation of **PropertyFit** financing) but before the funding request is closed, **PropertyFit** may be unable to provide the security mechanism for the **PropertyFit** financing. **PropertyFit** shall have no liability as a result of any such change in law or judicial interpretation.

Changes in the Program Terms; Severability

PropertyFit reserves the right to change this Program Guide and terms and provisions set forth within at any time without notice. The Benefit Assessment Lien and Property Owner Agreement executed between **PropertyFit** and the Property Owner establishes Property Owner's rights. This Program Guide is only a reference document.

If any provision of this Program Guide is determined to be unlawful, void, or for any reason unenforceable, then that provision shall be deemed severable from this Program Guide and shall not affect the validity and enforceability of any remaining provisions.

Disclosure of Property Owner Information

All Property Owner information is treated with care in order to protect Property Owner's privacy and security. In addition to disclosure requirements under Oregon Public Records Law, Property Owners must agree to allow **PropertyFit** to disclose personal/corporate information it submits to third parties when such disclosure is essential to the conduct of **PropertyFit** business or to provide services to the Property Owner, including but not limited to where such disclosure is necessary to:

- Comply with the law, legal process or regulators; and
- Enable **PropertyFit** staff or consultants to provide services to the Property Owner or to otherwise perform their duties.

PropertyFit will not provide Property Owner information to third parties for telemarketing, e-mail or direct mail solicitation.

Fraud

Giving materially false, misleading or inaccurate information or statements to **PropertyFit** or its agents and partners (or failing to provide material information) in connection with a **PropertyFit** application is punishable by law. Material representations include, but are not limited to, representations concerning the project costs, ownership structure and financial information relating to the Qualified Real Property and the Property Owner.

Exceptions to this Program Guide

PropertyFit may make exception to the terms and provisions detailed in this Program Guide where there is a finding that such exception furthers **PropertyFit's** goals and objectives.

Releases and Indemnification

By submitting an application, Property Owner acknowledges that Multnomah County and Prosper Portland have formed **PropertyFit** solely for the purpose of assisting Property Owners in Multnomah County to finance eligible Building Resiliency Improvements. **PropertyFit** is a financing program only. **PropertyFit** is not responsible for the installed Building Resiliency Improvements or their performance. Should there be any unsatisfactory performance or other system-related issues that arise during or after installation, the Property Owner must address those directly with the responsible contactor according to the terms of the contract between the two parties. Property Owner acknowledges that it is responsible for payment of the Benefit Assessment regardless of whether the products are property installed or operate as expected.

Oregon Revised Statute

Local government programs to finance improvements to real property.

ORS 223.680 – Utility Improvement Financing

(1) As used in this section:

(a) "Local government" means cities and counties.
(b) "Qualifying real property" means multifamily residential dwellings or commercial or industrial buildings that the local government has determined can be benefited by utility improvements.
(c) "Utility improvements" means improvements to qualifying real property for any of the following purposes:

(A) Energy efficiency.
(B) Renewable energy.
(C) Energy storage.
(D) Smart electric vehicle charging stations.
(E) Water efficiency.

(2)

(a) Subject to subsection (3) of this section, a local government may establish a program to assist owners of record of qualifying real property in financing cost-effective utility improvements to the qualifying real property.
(b) The utility improvements must be authorized by:

(A) A local government implementing a program established under this section; or
(B) The State Department of Energy for a loan issued under subsection (10) of this section to a local government that established a program in cooperation with a local government described in subparagraph (A) of this paragraph.

(c) A program established pursuant to this subsection may provide for the local government to:
(A) Make loans to owners financed with the net proceeds and interest earnings of revenue bonds authorized by subsection (10) of this section;
(B) Facilitate private financing by the owner; or
(C) Make loans under subparagraph (A) of this paragraph and facilitate private financing under subparagraph (B) of this paragraph.

(3) Before establishing a program under this section, the local government shall provide notice to utilities that distribute electric energy, natural gas or water within the areas in which the local government will operate the program.

(4) A local government that establishes a program under this section may:

  (a) Require performance of an energy or water audit on the qualifying real property before the local government approves a loan for utility improvements to the property;
  (b) Impose requirements intended to ensure that the costs of the improvements financed under this section do not exceed the cumulative energy cost savings of the improvements over the useful life of the improvements; and
  (c) Impose requirements and conditions on loans or financing agreements that are designed to ensure timely repayment.

(5)

  (a) If the owner of record of qualifying real property requests financing pursuant to a program established under this section, subject to subsection (6) of this section, the local government implementing the program may:

    (A) Enter into a loan agreement with the owner, and any other person benefited by the loan; or
    (B) Facilitate a financing agreement for the owner, and any other person benefited by the financing.

  (b) A loan agreement or financing agreement entered into pursuant to paragraph (a) of this subsection must be in a principal amount sufficient to pay:

    (A) The costs of utility improvements the local government determines will benefit the qualifying real property and the borrowers;
    (B) The costs of the energy and water audit; and
    (C) The costs and reserves of the program.

  (c) A local government acting pursuant to paragraph (a) of this subsection may:

    (A) If the local government makes a loan, charge the borrower an interest rate on the principal amount that is sufficient to pay the financing costs of the loan program, including loan delinquencies; and
    (B) Charge periodic fees to pay for program costs.

(6) A local government may not enter into a loan agreement, or facilitate a financing agreement, under subsection (5) of this section unless the owner has:

  (a) Provided written notice to all mortgagees of the qualifying real property that the owner intends to enter into a loan agreement or financing agreement under this section; and

(b) Received written consent from the mortgagees stating that the loan agreement or financing agreement entered into under this section does not constitute an event of default or give rise to any remedies under the terms of the mortgage loan agreements.

(7) The local government implementing a program established under this section may:

(a) Secure a loan or financing with a lien on the benefited qualifying real property in the manner and with the same priority, as determined under ORS 223.230(3), as a lien for assessments for local improvements arising under by ORS 223.393.
(b) Assess the benefited qualifying real property for the amounts due under a loan agreement or financing agreement.
(c) Enforce a lien and collect an assessment authorized by this section as provided in ORS 223.505 to 223.650.
(d) Secure a loan or financing in any other manner that the local government determines is reasonable.

(8)

(a) In lieu of enforcing liens and collecting assessments as provided in subsection (7) of this section, a local government may certify the assessment, in the manner provided in ORS 310.060, to the county assessor of each county in which benefited qualifying real property is located.
(b) If the assessments are certified as provided in this subsection, the county assessor shall:

(A) Enter the assessment upon the county assessment roll against the property described in the certificate, in the manner that other local government assessments are entered;
(B) Collect, account for and enforce the assessments in the manner that local government property taxes are collected, accounted for and enforced; and
(C) Transfer, as provided by law, the assessments collected to the local government that imposed the assessment.

(9) A local government may issue revenue bonds pursuant to ORS 287A.150 to finance the costs of a program established under this section, including the costs of making loans for energy improvements.

(10) The State Department of Energy may lend money under the provisions of ORS 470.060 to 470.080 and 470.090 to a local government that establishes a program under this section in cooperation with a local government implementing a program under this section. [Formerly 223.396]

ORS 223.685 – Seismic rehabilitation Improvement Financing

(1) As used in this section:

- (a) "Local government" means cities and counties.
- (b) "Qualifying real property" means multifamily residential dwellings or commercial or industrial buildings that the local government has determined can be benefited by energy improvements.
- (c) "Seismic rehabilitation" means improvements to qualifying real property that are:
  - (A) Intended to reduce or prevent harm to persons and property due to the effects of seismic activity on the qualifying real property; and
  - (B) Authorized by a local government implementing a program established under this section.

(2)

- (a) A local government may establish a program to assist owners of record of qualifying real property in financing cost-effective seismic rehabilitation of qualifying real property.
- (b) A program established pursuant to this subsection may provide for the local government to:
  - (A) Make loans to owners financed with the net proceeds and interest earnings of revenue bonds authorized by subsection (8) of this section;
  - (B) Facilitate private financing by the owner; or
  - (C) Make loans under subparagraph (A) of this paragraph and facilitate private financing under subparagraph (B) of this paragraph.

(3) A local government that establishes a program under this section may:

- (a) Impose requirements intended to ensure that the loan or financing is consistent with the purposes of the program; and
- (b) Impose requirements and conditions on loans or financing agreements that are designed to ensure timely repayment.

(4)

- (a) If the owner of record of qualifying real property requests financing pursuant to a program established under this section, subject to subsection (6) of this section, the local government implementing the program may:
  - (A) Enter into a loan agreement with the owner, and any other person benefited by the loan; or
  - (B) Facilitate a financing agreement for the owner, and any other person benefited by the financing.
- (b) A local government acting pursuant to paragraph (a) of this subsection may:

(A) If the local government makes a loan, charge the borrower an interest rate on the principal amount that is sufficient to pay the financing costs of the loan program, including loan delinquencies; and
(B) Charge periodic fees to pay for program costs.

(5) A local government may not enter into a loan agreement, or facilitate a financing agreement, under subsection (4) of this section unless the owner has:

(a) Provided written notice to all mortgagees of the qualifying real property that the owner intends to enter into a loan agreement or financing agreement under this section; and
(b) Received written consent from the mortgagees stating that the loan agreement or financing agreement entered into under this section does not constitute an event of default or give rise to any remedies under the terms of the mortgage loan agreements.

(6) The local government implementing a program established under this section may:

(a) Secure a loan or financing with a lien on the benefited qualifying real property in the manner and with the same priority, as determined under ORS 223.230(3), as a lien for assessments for local improvements arising under by ORS 223.393.
(b) Assess the benefited qualifying real property for the amounts due under a loan agreement or financing agreement.
(c) Enforce a lien and collect an assessment authorized by this section as provided in ORS 223.505 to 223.650.
(d) Secure a loan or financing in any other manner that the local government determines is reasonable.

(7)
(a) In lieu of enforcing liens and collecting assessments as provided in subsection (6)(c) of this section, a local government may certify the assessment, in the manner provided in ORS 310.060, to the county assessor of each county in which benefited qualifying real property is located.
(b) If the assessments are certified as provided in this subsection, the county assessor shall:

(A) Enter the assessment upon the county assessment roll against the property described in the certificate, in the manner that other local government assessments are entered;
(B) Collect, account for and enforce the assessments in the manner that local government property taxes are collected, accounted for and enforced; and
(C) Transfer, as provided by law, the assessments collected to the local government that imposed the assessment.

(8) A local government may issue revenue bonds pursuant to ORS 287A.150 to finance the costs of a program established under this section, including the costs of making loans for seismic rehabilitation.