DATE: March 8, 2023

TO: Board of Commissioners

FROM: Kimberly Branam, Executive Director

SUBJECT: Report Number 23-06

Authorizing an Intergovernmental Agreement with Multnomah County for the Administration of the PropertyFit Program

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7479

This action by the Prosper Portland Board of Commissioners (Board) will authorize the executive director to execute a new intergovernmental agreement (IGA) between Prosper Portland and Multnomah County for Prosper Portland's continued administration of the PropertyFit program. PropertyFit is a unique, long-term financing program for energy efficiency, renewable energy, water conservation, and seismic resiliency projects in Multnomah County, enabling owners, developers, and investors in commercial buildings to enhance performance and unlock value. Prosper Portland has administered PropertyFit since 2015; this action by the Prosper Portland Board will extend its administration for five years from the date of execution.

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

This proposed action delivers on Prosper Portland's strategic objective of creating healthy, complete neighborhoods by providing a financing tool that encourages commercial property owners to invest in sustainable building improvements.

BACKGROUND AND CONTEXT

Beginning in 2015, Prosper Portland, Multnomah County, and Energy Trust of Oregon partnered to create PropertyFit, a commercial property assessed financing program, to provide Multnomah County commercial, industrial, and multifamily property owners with access to a new form of financing for the installation of clean energy, renewable energy, water conservation, and seismic resiliency improvements (Building Resiliency Improvements). These Building Resiliency 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 earthquake. They also have the added benefit of fostering economic growth, creating jobs, improving property values, and bringing private investment capital into our markets.

On September 3, 2015, the Multnomah County Board of Commissioners adopted Resolution 2015-097, establishing the PropertyFit program (then known as the Commercial Property Assessed Clean Energy program), and Resolution 2015-098, authorizing Multnomah County to enter into an IGA with Prosper Portland to partner in the design of the program and, once developed, to administer PropertyFit on its behalf for a period of five years, expiring in September 2020.

Shortly thereafter, on September 9, 2015, the Prosper Portland Board adopted Resolution No. 7144 authorizing Prosper Portland to enter into the IGA, which has been amended three times to broaden PropertyFit to include seismic resiliency improvements, be consistent with State of Oregon statutory enforcement mechanisms, and to extend its term to the current expiration date of March 22, 2023. The program design took two years to complete, which included multiple community outreach efforts and was ultimately launched in 2017. Given the program evolution since the original IGA was executed, staff at Prosper Portland and Multnomah County are proposing a new IGA to further extend the term of the PropertyFit program.

PropertyFit financing is secured with a benefit assessment lien which has the same priority as a lien for the assessment for local improvements. The assessment lien structure addresses the following barriers to property owners' investment in building resiliency projects:

- It offers building owners up-front financing for up to 100 percent of the cost of building upgrades.
- The financing is provided at a fixed rate and is fully amortized over the term of the financing.
- The maximum term is set at the average weighted useful life of the proposed improvements.
- The form of security is a property assessment. As such, the cost of the financing may be able to be passed through to tenants in a triple net lease (subject to the terms of that lease.)
- The benefit assessment lien automatically transfers to the new owner upon sale of the property.
- In some cases, the cost savings associated with the improvements can cover all or a portion of the benefit assessment payment.
- The senior lien status of the benefit assessment substantially reduces risk, making PropertyFit financing very secure and attractive to investors.

Each project is funded by a private capital provider that has enrolled in the PropertyFit program. These capital providers manage the origination process and underwrite the project to their individual credit standards. Once their underwriting is complete, the capital provider will send a PropertyFit application package to Prosper Portland for review to confirm that the project meets the statutory requirements of the program and conforms to the Multnomah County program guidelines (see greater detail in the PropertyFit Program Guide in Attachment A).

Since launching the program in 2017, seven PropertyFit loans, totaling $50,690,000 have closed. These projects will result in Building Resiliency Improvements of nearly 880,000 square feet of commercial space, 35,370 square feet of multifamily residential space (69 units) and will leverage an additional $290,000,000 in private capital.

EQUITY IMPACT

A goal of the PropertyFit program 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 disadvantaged/minority/women-owned firms. To that end, staff have invited minority contractors to enroll in the program. Enrolled contractors are listed on the program website and this list is provided to owners/developers who apply for financing under the program. While PropertyFit projects funded by private capital providers are not subject to Prosper Portland's Construction Business and Workforce Equity Policy, the policy does apply if Prosper Portland is acting as the capital provider and funding the transaction. All program marketing, enrollment, and application materials express Prosper Portland's strong commitment to social equity and asks the capital developer, contractor and/or property owner how the project will help advance social equity.

COMMUNITY PARTICIPATION AND FEEDBACK

Staff did not conduct any public engagement related to this proposed action. However, staff convened a five-person advisory group (including representation from the contracting community, building owners, capital providers, and energy professionals) in 2016 to provide input and feedback on program design. Additionally, staff conducted specific outreach to the minority and women owned contracting community, including Metropolitan Contractor Improvement Partnership, National Association of Minority Contractors Oregon, and the Hispanic Chamber of Commerce, to seek input and feedback on program design. Staff have also engaged on an ad hoc basis with contractors, capital providers, building owners, developers, and commercial real estate agents to refine the program and encourage utilization.

BUDGET AND FINANCIAL INFORMATION

Since inception, the PropertyFit program has generated approximately $506,900 in one-time origination fees to Prosper Portland. Prosper Portland also earns an annual administrative fee based upon the outstanding balance of the entire PropertyFit portfolio (currently $70,000 annually) providing the agency with a reliable source of fee revenue that will increase as the portfolio grows over time.

RISK ASSESSMENT

This action does not pose additional risk to Prosper Portland, as it simply extends the existing risk Prosper Portland has assumed in administering the PropertyFit program, which is that the cost of operating the program exceeds revenue generation. To date, originations and annual administrative fees have recovered Prosper Portland's investment in the program.

ATTACHMENTS

A. PropertyFit Program Guide

PROGRAM GUIDE

VERSION 5.00

MARCH 2023

WWW.PROPERTYFITOREGON.COM

OVERVIEW

Prosper Portland, 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 relationships between the Property Owner, the Program Administrator, the Capital Provider, and others.

PROGRAM OVERVIEW – STATUTORY AUTHORITY

PROPERTYFIT is an innovative financing structure that enables Property 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 earthquake. They also have the added benefit of fostering economic growth, creating jobs, and improving property values.

The Oregon Revised Statutes ("ORS") 223.680 and 223.685) authorize local governments to establish property assessed financing programs that help property owners finance Building Resiliency Improvements to Qualifying Real Property. The financing is secured with a lien on the Qualified Real Property (Benefit Assessment Lien) with the same priority as a lien for the assessment for local improvements districts. The local improvement district 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 key barriers to investments 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 periodic assessment payments. The maximum term is set at the average weighted useful life of the proposed Building Resiliency 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, potentially improving the buildings net operating income.

The Benefit Assessment Lien is recorded and attaches to and follows title to the Qualified Real Property. If the Qualified Real Property is sold before the **PROPERTYFIT** Financing is fully repaid, the Benefit Assessment Lien remains in place and the repayment obligation is automatically transferred to the next owner. The senior lien status of the Benefit Assessment Lien substantially reduces risk, making **PROPERTYFIT** financing very secure and attractive to investors. For more information about the benefits of **PROPERTYFIT** financing visit www.propertyfitoregon.com.

POLICY LINKAGES

PROPERTYFIT supports a number of public safety, carbon reduction, water conservation, redevelopment, and economic development goals. The program is designed to:

- Support the City of Portland and Multnomah County Climate Action Plan and other community goals to reduce carbon emissions, conserve water and improve seismic resiliency.
- Provide Property Owners with a cost-effective financing tool to encourage comprehensive Building Resiliency Improvements that improve the overall building performance.
- Stabilize the region's economic infrastructure through Building Resiliency Improvements that reduce resource consumption; improve seismic resiliency; and increase property value, performance, and marketability of commercial, industrial, and multifamily real estate within Multnomah County.
- Stimulate new business development, job creation and the creation of new family wage jobs for Multnomah County residents through increased number of Building Resiliency 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 in 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 with DMW 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.

ADMINISTRATIVE GUIDELINES

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

KEY DEFINITIONS

BENEFIT ASSESSMENT LIEN	The lien that is recorded against the Qualified Real Property that establishes the benefit assessment lien and secures repayment of the **PROPERTYFIT** Financing. By statute the Benefit Assessment Lien has priority over all other liens recorded against the Qualified Real Property, junior only to real property taxes.
BUILDING RESILIENCY IMPROVEMENTS	Utility and Seismic Rehabilitation Improvements made to Qualified Real Property authorized by ORS 223.690 and 223.685.
CAPITAL PROVIDER	The entity that will provide the **PROPERTYFIT** Financing.
MAXIMUM TERM	The period from the completion of construction and final fully amortized payment the PropertyFit Financing may not exceed the weighted average useful life of all approved Building Resiliency Improvements as determined by the Program Administrator.
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, the economic development and urban renewal agency of the City of Portland.
PROPERTYFIT PROJECT	Building Resiliency Improvements being made to Qualified Real Property, financed with **PROPERTYFIT** Financing.
PROPERTY OWNER	The legal owner(s) of the "*fee simple*" interest in the Qualified Real Property.
SEISMIC REHABILITATION IMPROVEMENTS	Improvements to Qualified Real Property intended to reduce or prevent harm to persons and property due to the effects of seismic activity on the Qualifying Real Property.

UTILITY IMPROVEMENTS	Improvements to Qualified Real Property that: ▪ Increase energy efficiency ▪ Generate renewable energy on-site, ▪ Store energy on-site, ▪ Charge electric vehicle, and ▪ Increases water efficiency.

MINIMUM STATUTORY AND PROGRAM REQUIREMENTS

SERVICE AREA	Multnomah County, Oregon
ELIGIBLE PROPERTY	Qualified Real Property
ELIGIBLE APPLICANT	Property Owner
SECURITY	The **PROPERTYFIT** Financing is evidenced by a financing agreement between the Property Owner and the Capital Provider and is 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 minimum 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 secured by the Qualified Real Property; and ▪ May not be in, or have filed for, bankruptcy in the past three years.
ELIGIBLE USES	Eligible uses of **PROPERTYFIT** Financing include payment of: ▪ The cost of building performance audits; ▪ The cost of approved Building Resiliency Improvements to the 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 (LTV)	Maximum lien-to-value is 35 percent of the "*after completed, as stabilized*" value of the Qualified Real Property.
APPRAISAL REQUIREMENTS	***Existing Building***. The property value for LTV purposes will be first evaluated by reviewing the real market value as determined by the county tax assessor. If the project performs within the LTV limitations, this value will be adequate for administrative review purposes. If the LTV limit is exceeded using the county tax 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 recording of the Benefit Assessment Lien against the Qualified Real Property and the underwriting requirements of the Capital Provider. https://multcoproptax.com/ ***New Construction/Major Renovation***. These projects require an appraisal that meets the Capital Provider's underwriting requirements and provides '*as is*', '*as completed*', and '*as stabilized*' value estimates.
MAXIMUM TERM	The period from the completion of construction and final fully amortized payment the PropertyFit Financing may not exceed the weighted average useful life of all approved Building Resiliency Improvements as determined by the Program Administrator.
AMORTIZATION	The **PROPERTYFIT** Financing must be fully amortized over its term. Balloon payments are not allowed.
REPAYMENT AND SERVICING	A minimum of one annual Benefit Assessment Lien payment is required and may be more frequent as negotiated between the Capital Provider and the Property Owner. Payments are made directly to the Capital Provider. Should the Property Owner (or succeeding owners) default on the **PROPERTYFIT** Financing, collection will be enforced through the Local Improvement District's collection process outlined in ORS 223.505 to ORS 223.650.
CAPITALIZED INTEREST	The total **PROPERTYFIT** Financing may include capitalized interest for a period not to exceed the estimated construction period plus three (3) months. The inclusion of capitalized interest in the **PROPERTYFIT** Financing may not cause the total LTV to

exceed the program limit, nor the term of the **PROPERTYFIT** Financing to exceed the Maximum Term as defined above.

INTEREST ONLY PERIOD AND CAPITALIZED INTEREST

The repayment structure for the **PROPERTYFIT** Financing may include an interest only period to enable the Qualified Real Property to achieve stabilized occupancy before fully amortized payments begin. The maximum interest only period will be set based upon the appraiser's estimated time frame for the Qualified Real Property to achieve stabilized occupancy. In addition, the portion of the interest only period that corresponds to the estimated construction period may be capitalized. Note, however, that the inclusion of an Interest Only Period and Capitalized Interest in the **PROPERTYFIT** Financing may not cause the total LTV to exceed the program limit, nor the term of the **PROPERTYFIT** Financing to exceed the Maximum Term.

LOOK-BACK FINANCING

Look-back projects are eligible for **PROPERTYFIT** Financing. A look-back project is one for which the Property Owner is seeking **PROPERTYFIT** Financing within 24-months of the Qualified Real Property's receipt of the certificate of occupancy issued by the local building permitting office. Look-back projects must comply with all Technical Standards and Program Guidelines required in this Program Guide.

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 Qualified Real Property.

MORTGAGEE CONSENT

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

- Be given written notification that the Property Owner has applied for PropertyFit Financing and intends to enter into a financing agreement and record a Benefit Assessment Lien against the Qualified Real Property;
- Provide its written consent for the Property Owner to enter into the financing agreement and allow the recording of the Benefit Assessment Lien against the Qualified Real Property; and
- Confirm in writing that the proposed **PROPERTYFIT** Financing does not constitute an event of default under the terms of existing agreements between the Property Owner and the mortgagee.

Program Administration Fees

Administrative Processing Fee

PropertyFit Financing is subject to the Program Administrator's Processing Fee equal to one percent (1.00%) of the PropertyFit Financing, due at closing. In addition, the Property Owner is responsible for all third-party fees including, but not limited to, costs of the building performance audit report(s), title reports, recording fees, legal fees and appraisal costs ("Eligible Costs"). Eligible Costs can be included in the PropertyFit Financing and reimbursed at closing. The Capital Provider will remit the PropertyFit Administrative Fee to the Program Administrator as stated in the Capital Provider Agreement.

On-going PropertyFit Servicing fee

PropertyFit Financing is also subject to an annual **PropertyFit** Administrative Fee equal to one-quarter of one percent (0.25%) of the outstanding balance of the **PropertyFit** Financing. This PropertyFit Servicing Fee will be specifically detailed in the payment schedule and will be collected by the Capital Provider as part of the periodic assessment payments collected from the Property Owner. The Capital Provider will remit the **PropertyFit** Servicing Fee to the Program Administrator, as stated in 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 Qualified Real Property 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. 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 third-party 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
Northwest Natural Gas
Portland Water Bureau
Portland General Electric
Oregon Department of Energy
Pacific Power
US Dept. of Energy

TECHNICAL STANDARDS AND REVIEW – UTILITY IMPROVEMENTS (ORS 223.680)

These "**Technical Standards**" describe the requirements to which Utility Improvements 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**.

CHOOSE YOUR PATH

The PropertyFit Project must follow one of two approaches to meet the Technical Standards of the program. "***Existing Building Project*** "or "**Major Renovation/New Construction Project***"*.

An Existing Building Project is one in which no change of use is planned; is often an occupied building; and the scope of work is primarily focused on energy or seismic renovations. A Major Renovation/New Construction Project is one in which the existing building is being completely renovated; likely includes a change in use; or is ground up construction.

Existing Building Projects must use the existing buildings approach, which evaluates each Building Resiliency Improvement being installed/implemented.

Property Owners of Major Renovation/*New Construction* projects may select which approach they wish to use and then must meet the Technical Standards specific to the selected approach.

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;
- Enable on-site renewable energy;
- Enable on-site energy storage;
- Create or improve a Qualified Real Property's capacity to charge electric vehicles; and
- Be permanently affixed to the Qualified Real Property and taxed as "*real*" vs. "*personal*" property by the county tax assessor.

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

- HVAC upgrades
- Automated building controls
- Variable speed drives on
- Combustion and burner upgrades
- Heat recovery
- Steam trap monitoring

motors, fans, and pumps
- Electric vehicle charging stations
- On-site energy storage systems
- Geo Exchange
- High efficiency:
  - Lighting
  - Chillers
  - Boilers
  - Furnaces
  - Water heating systems
- Building envelope improvements
- Energy management systems
- Automatic faucet sensors
- Low-flow plumbing
- Grey water irrigation systems
- Rainwater 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 Costs**" (e.g., roof upgrades to support a roof-mounted solar PV installation, drywall replacement) and can be included in the PropertyFit Financing and reimbursed at closing.

INELIGIBLE UTILITY IMPROVEMENTS

Energy improvements **ineligible** for PROPERTYFIT Financing include:

- Appliances (e.g., refrigerators, dishwashers);
- Plug load devices;
- Vending machine controls; or
- Any energy improvement that is easily removed or not permanently installed on the Qualified Real Property.

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.

TECHNICAL METHODOLOGY

Building performance audits must be based upon protocols described below. The level of audit will be influenced by many factors, including the number and complexity of the Utility Improvements, and the project's anticipated total capital investment.

- The most recent version of American Society for Testing and Materials (ASTM) E2797, 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 building performance expert is required. The audit report must provide:

- A representative, weather normalized baseline;
- Historical electrical and/or fuel use costs, consistent with the most current version of ASTM E2797;
- 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 incremental cost of each measure, where applicable
- 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 building performance expert is required for Utility Improvements that include significant water efficiency Utility Improvements. The audit report must provide:

- A representative, weather normalized baseline;
- Historical water use costs;
- A description of the proposed water efficiency measure(s);
- The estimated effective useful life ("**EUL**") for each water efficiency measure;
- The estimated total installed cost of each water efficiency measure;
- The estimated total project cost;

- The source used to establish water efficiency measure costs;
- The uncertainty (+/-) associated with the methodology used to establish water efficiency measure costs;
- The estimated reduction in the Qualified Real Property's water consumption that can confidently be achieved;
- The estimated water cost savings that will result from the water efficiency measures; and
- The uncertainty (+/-) associated with the methodology used to estimate the water savings.

QUALIFIED BUILDING PERFORMANCE EXPERT

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

- An engineer with relevant demonstrated experience in evaluating a buildings water consumption and impact of various water conservation improvements;
- 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 Qualified Real Property 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.

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.
Energy Trust of Oregon	**PROPERTYFIT** is designed to leverage the energy audit capacity of Energy Trust. When Energy Trust is providing incentives and facilitating completion of an energy audit **PROPERTYFIT** will defer to its technical methodology in the performance of the audit. Energy Trust may cover all or a portion of the audit cost if it is conducted under an Energy Trust program.

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. ASTM 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 less than three years ago, 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 project.

Utility Use Baseline Table

Building Description			
Building Type	Existing	Existing	New Construction
Equipment/ Systems	Existing	Existing	New
Proposed Use	No change	Change of Use	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	Minimum code requirements

Energy Improvements in Major Renovation/New Construction

PropertyFit has established the following requirements for Major Renovation/New Construction Projects. All program requirements outlined elsewhere in this Program Guide apply unless specifically modified below. Given the complexity of Mayor Renovation/New Construction Projects and new code transitions, project developers are ***strongly*** encouraged to engage with the **PropertyFit** team early in the project development process.

Standards for 'As Designed Modeled Energy Performance'

Mayor Renovation/New Construction Projects must demonstrate '*As Designed Modeled Energy Performance (EUI)*' that exceeds the baseline performance requirements of the ASHRAE 90.1 version in effect when the building permits application is made by at least five percent. by at least five percent (5.00%.) These projects can qualify for **PropertyFit** Financing in an amount up to twenty-five percent (25%) of Total Construction Costs (as defined below.)

Definition of New Construction	The construction of an entirely new structure(s).
Definition of Major Renovation	A major renovation involves major electrical and mechanical renovation, significant envelope modifications, and major interior

	rehabilitation of an existing building. Major renovations are often accompanied by a change in use of the building.
APPRAISAL REQUIREMENTS	Copy of the primary construction lender's appraisal detailing the "*as is*", "*as completed*" and "*as stabilized*" values.
NEW CONSTRUCTION BASELINE	Most current version of ASHRAE 90.1 in effect at the time the Property Owner applies for building permits.
ADDITIONAL REQUIREMENTS FOR '*AS DESIGNED MODELED ENERGY PERFORMANCE*'	A report demonstrating that the building plans achieve a minimum energy savings of 5 percent above baseline energy use intensity (EUI) (or equivalent metric) is required. The report must use the 'Whole Building Approach' methodology in Appendix G of the ASHRAE 90.1 version in effect at the time the Property Owner applies for building permits.
DEFINITION OF TOTAL CONSTRUCTION COSTS	All direct and indirect costs of materials, labor and soft costs related to design, evaluation, installation, and construction or reconstruction of the Utility Improvements. This includes audit costs, architecture and engineering fees, surveyor fees, contractor general conditions, financing, (including capitalized interest) legal, title and other reasonable fees.
EXCLUDED COSTS	▪ Land costs ▪ Acquisition cost of an existing building; ▪ Off-site improvements; ▪ Environmental remediation; and ▪ Equipment not permanently installed on the Qualified Real Property.

RENEWABLE ENERGY FEASIBILITY ANALYSIS REQUIREMENTS

Energy generating projects that use renewable energy sources are eligible for **PROPERTYFIT** Financing. A renewable energy feasibility analysis that assesses the energy cost savings over the project's useful life is required. Studies, and the individuals qualified to complete those studies, will differ based upon the type of renewable energy project. At a minimum the report must:

- Be prepared by an appropriately licensed individual with the necessary credentials to perform the study;
- Describe the proposed renewable energy system;
- Describe the permitting requirements and utility design requirements for the specific system being considered;

- Identify and evaluate the suitability of the building/site for the proposed improvement (including determining the structural integrity of the building to support a rooftop solar PV installation if a 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 improvement;
- Estimate total cost to acquire and install each Utility Improvement; and
- Estimate of the amount and source of all incentive being sought for the renewable energy project

Review of the Audit/Study

The complete audit/study is to be 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's** eligibility requirements, the recommended Utility Improvements are technically and financially feasible, and all stakeholder underwriting data needs are satisfied.

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 the Property Owner and their contractor. Although not required, the Property Owner 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 223.690 and this Program Guide.

Utility Improvement Installation

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

Technical Standards and Review – Seismic Rehabilitation Improvements (ORS 223.685)

These Technical Standards describe the requirements to which all Seismic Rehabilitation Improvement projects under ORS 223.685 must comply.

Eligible Seismic Rehabilitation Improvements

Eligible Seismic Rehabilitation Improvements

Seismic Rehabilitation Improvements eligible for **PropertyFit** Financing must:

- Reduce or prevent harm to persons and property because of seismic activity on the Qualified Real Property; and
- Be permanently affixed to the Qualified Real Property and taxed as "*real*" vs. "*personal*" property by the county tax assessor.

A few examples of seismic rehabilitation improvements include:

- Bracing parapets, cornices, and chimneys
- Tension anchors
- Wood structural panel shear wall
- Concrete or fiber composite wall overlay
- Horizontal bracing
- Out-of-plane bracing
- Vertical bracing
- Veneer ties to brick masonry
- Shear anchors
- Crossties and sub diaphragms
- Supplemental vertical supports
- Steel bracing
- Steel moment frame
- Steel strap or angle
- Wood or steel strap reinforcement
- Wall to diaphragm ties
- Add or enhance cross walls

In addition, the costs of non-seismic rehabilitation improvements that are directly related to the installation of eligible Seismic Rehabilitation Improvements are Eligible Costs and may be included in the PropertyFit Financing and can be reimbursed at closing.

Earthquake Risk Evaluation

Property Owners are required to submit an earthquake risk evaluation and a scope of work that defines the proposed Seismic Rehabilitation Improvements.

Earthquake Risk Assessment Criteria

Unless a Tier 3 evaluation is required by ASCE 41, a Tier 1 and Tier 2 building performance report that conforms to American Society of Civil Engineers and the Structural Engineering Institute 41 - Basic Performance Objectives for Existing Buildings (ASCE 41 – BPOE) is

	required on all Seismic Rehabilitation Improvements.
QUALIFIED INDIVIDUAL	All ASCE 41 evaluation must be performed by a state licensed structural engineer.

DEFINED SEISMIC SCOPE AND COST ESTIMATE

In addition to the ASCE 41 evaluation, projects including Seismic Rehabilitation Improvements must also provide:

DEFINED SCOPE OF WORK	A certified scope of work prepared by a structural engineer, detailing the Seismic Rehabilitation Improvements needed for the Qualified Real Property to comply with current seismic code and separate notations identifying any additional Seismic Improvements that will exceed code. along with any additional improvements that are included that exceed code.
DETAILED COST BREAKDOWN	A detailed cost breakdown that includes a column for total cost and a separate column with the portion of that cost associated with the Seismic Rehabilitation Improvements.
COST REASONABLENESS CONFIRMATION	A letter from the structural engineer affirmatively stating that they have reviewed the detailed cost breakdown alongside the scope of work and that the cost associated with completing the Seismic Rehabilitation Improvements appear reasonable.

CAPITAL PROVIDER PARTICIPATION

PROPERTYFIT is an open market program. Enrolled Capital Providers have the opportunity to offer term sheets on projects originated by **PROPERTYFIT** or to originated by the Capital Provider directly. Additionally, Property Owners may bring a Capital Provider to provide the **PROPERTYFIT** Financing to fund their project.

The Property Owner is free to select a Capital Provider of their choice so long as the Capital Provider meets **PROPERTYFIT**'s 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 publicly traded entity; or
- Any accredited investor.

COMMITMENT TO SOCIAL EQUITY

The Capital Provider's must describe how it will contribute to advancing **PROPERTYFIT'S** Social Equity Commitment.

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 the Program Administrator.) The Program Administrator reserves the right to approve, reject or rescind approval of the Capital Provider's participation in **PROPERTYFIT**.

Upon approval by the Program Administrator, the Capital Provider will be considered an "enrolled" Capital Provider. As such, the enrolled Capital Provider will be listed on the **PROPERTYFIT'S** website, and 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 Capital Provider Participation Agreement which must be signed at closing of each transaction.

Ultimately, Property Owners are responsible for selecting a Capital Provider to fund their Building Resilience Improvements 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** Financing must achieve. Capital Providers are free to establish its own financial underwriting standards within the parameters of the Administrative Guidelines. At closing each **PropertyFit** Financing, the Capital Provider must enter into a Capital Provider Agreement that outlines the agreement between the Program Administrator and the 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 PropertyFit 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. No balloon payments allowed.

Servicing and Reporting

PropertyFit uses a hybrid servicing model wherein the Capital Provider retains a more traditional borrower/lender loan servicing relationship. So long as the Property Owner is performing, the periodic payments are to be made directly to the Capital Provider and the Capital Provider will provide the Program Administrator with an annual report on activities and remit the on-going servicing fee. At the Capital Provider's discretion, a delinquent account can be referred to the Program Administrator for enforcement through the local improvement district collection process outlined in ORS 223.505 to 223.650. The collection process is more specifically described in the Capital Provider Agreement.

Enrolled Capital Providers

Visit the www.propertyfitoregon.com for a current list of enrolled Capital Providers.

Resources, Sample Documents and Forms

Visit www.propertyfitoregon.com/more/resources for the most current version of key program documents, application and sample closing forms.

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 and the Program Administrator 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 the terms and provisions set forth within at any time without notice. The Benefit Assessment Lien and the Property Owner Agreement executed between PropertyFit and the Property Owner establishes the 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 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 an application for PROPERTYFIT Financing is punishable by law. Material representations include, but are not limited to, representations concerning the Building Resiliency Improvement 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.

RISK DISCLOSURE

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 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 Property Owner and the Contractor. The Property Owner acknowledges that it is responsible for payment of the Benefit Assessment Lien regardless of whether the Building Resiliency Improvements are properly installed or operate as expected.

PROPERTY OWNER REPORTING

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