

PROGRAM GUIDE

ARLINGTON COUNTY C-PACE PROGRAM

Effective Date: January 9, 2018

Nature and Purpose of this Program Guide

This Program Guide (this "Guide") has been prepared pursuant to Chapter 68 of the Arlington County Code (the "Ordinance"), for purposes of providing a more detailed description of the requirements applicable to the Arlington County Commercial Property Assessed Clean Energy (C-PACE) Financing Program (the "Program"). This Guide and all provisions hereof are subject to the Ordinance in all respects, including, without limitation, the provisions of the Ordinance governing the amendment of this Guide. In the case of any conflict between the provisions of this Guide and the provisions of the Ordinance, the provisions of the Ordinance shall control.

THIS GUIDE IS ONLY A REFERENCE DOCUMENT, AND CREATES NO LEGAL RIGHTS IN FAVOR OF ANY PROPERTY OWNER, LENDER, CAPITAL PROVIDER, CONTRACTOR OR ANY OTHER PERSON, NOR DOES IT IMPOSE ANY LEGAL DUTY OR OBLIGATION ON THE COUNTY OF ARLINGTON, VIRGINIA.

Any user of this Guide should read (i) the Ordinance, which contains important information regarding the structure and requirements of the Program, and (ii) the Commonwealth of Virginia's Clean Energy Financing Law, § 15.2-958.3 of the Code of Virginia of 1950, as amended (the "Act," and together with the Ordinance and other applicable laws, collectively, "Governing Law"), to which the Program, this Guide and the Ordinance are each subject to in all respects. The Ordinance and this Guide constitute the County's sole legal pronouncements pursuant to the Act, and any other material, information or data, whether or not obtained from the County, including through any County electronic or internet media, shall not be considered legal pronouncements nor relied upon for such purpose. Any capitalized term used but not otherwise defined in this Guide shall have the respective meaning given such term in the Ordinance.

Program Overview

Solely through the availability of Liens, the Program is intended by the County to facilitate Loans from Lenders to Property Owners to finance Eligible Improvements. Subject to the limitations set forth in this Guide and Governing Law, each such Loan, inclusive of principal, interest and any financed fees, costs or expenses, will be repaid through Assessment Payments secured by a Lien on the Eligible Property on which the Project is located.

In furtherance of the Program, the County, through the Ordinance and subject to the limitations set forth in Governing Law, authorizes each Lender to (i) file and record Liens on behalf of the County, (ii) assign such Liens on behalf of the County, (iii) amend such Liens from time to time and (iv) administer, in all respects, the Loans respectively evidenced by such Liens. Certain legal requirements for the proper documentation of Loans made under the Program and the related Liens are included in the Ordinance and the Act.

Program Fees

The costs of designing and administering the Program are financed through Program Fees charged to participating Property Owners. Lender collects Program Fees from Property Owner at Loan closing and remits such fees to Administrator. Currently, Program Fees consist of a one-time charge of two and one-half percent (2.5%) of the Loan Amount; provided, however, that Program Fees shall not exceed seventy-five thousand dollars (\$75,000) per Project.

Project Eligibility

Pursuant to the Ordinance, Loans may be used to finance Eligible Improvements to Eligible Buildings. Subject to the property value limitations set forth below, buildings located within the County may be eligible under the Program, whether such buildings are existing, under construction or to be constructed, except for (i) residential dwellings with fewer than five (5) dwelling units and (ii) condominium projects as defined in §55-79.2 of the Code of Virginia of 1950, as amended.

To be eligible under the Program, the most recent assessed value of the property on which the proposed Project will be situated, including the land and any buildings and other improvements thereon, must exceed \$250,000.00. The most recent assessed value of the property shall be determined by reference to <https://topics.arlingtonva.us/realestate/assessments/>.

Additionally, to be financed by a Loan, proposed improvements must constitute Eligible Improvements under the Ordinance. Eligible Improvements include any improvement, construction, equipping, installation or modification of or to, as the case may be, an Eligible Building, if designed to (i) facilitate renewable energy production and distribution, (ii) increase energy efficiency or (iii) increase water usage efficiency.

Solely for illustrative purposes, examples of potential improvements that may qualify as Eligible Improvements are listed below. Property Owner, Lender and Administrator are responsible for evaluating whether a proposed improvement constitutes an Eligible Improvement.

- Automated building controls (BMS, EMS)
- Boilers, chillers and furnaces
- Building envelope (insulation, glazing, windows, etc.)
- High-efficiency lighting
- Hot water systems
- HVAC upgrades
- Variable speed drives on motors, pumps and fans
- Combined heat and power (CHP) systems
- Fuel cells
- Geothermal systems
- Hydroelectric systems
- Solar photovoltaic systems
- Solar thermal
- Irrigation systems that improve water efficiency
- Water efficient fixtures (low-flow faucets, toilets, etc.)

Property Owner Eligibility

Subject to the requirements of Governing Law, any person or entity holding title to Eligible Property in the County may be eligible to participate in the Program. Prior to the recording of any Lien, Property Owner must submit evidence to Lender that (i) Property Owner is current on payments on all loans secured by a deed of trust lien on the Eligible Property and on property tax payments to the County, (ii) Property Owner is not insolvent or subject to bankruptcy proceedings and (iii) Property Owner's title to the Eligible Property is not in dispute.

Lender Criteria

Under the Program, Property Owners work with qualified Lenders to arrange financing for Projects. To qualify under the Program, potential Lenders must be capable of making loans in the Commonwealth of Virginia for the Program. Any potential Lender must apply to Administrator for approval; and Administrator shall maintain the list of approved Lenders. A current list of qualified Lenders and the lender application are available from Administrator. Removal of any approved Lender from the list shall be within the sole discretion of Administrator.

Contractor Criteria

Under the Program, Property Owners work with Contractors to execute Projects. To register under the Program, potential Contractors must meet all of the following criteria:

- The potential Contractor is validly licensed or otherwise permitted under Governing Law to provide the services contemplated in connection with the Project.
- The potential Contractor has attended Program training provided by Administrator.
- The potential Contractor has applied to, and been approved by, Administrator.

A current list of registered Contractors and the contractor application are each available from Administrator.

Process

Insofar as the County's role in the Program is concerned, below are the steps to be taken to establish the Lien.

1. After receiving a Project eligibility notification from Administrator, Property Owner and Lender shall execute a Financing Agreement that complies with the requirements of Governing Law.
2. Upon Loan closing, Lender shall provide notice thereof, including the information and documentation required under the Ordinance, to each of Program Manager (for the County) and Administrator. For the avoidance of doubt, such notice shall include the Financing Agreement and exhibits thereto, including the Certificate of Levy and Lien of

Special Assessment with attached payment schedule and the Assignment of Special Assessment Lien.

3. Lender, as authorized by the County for such purposes pursuant to the Ordinance, shall record, in the land records of the County, the Certificate of Levy and Lien of Special Assessment and the Assignment of Special Assessment Lien.

Contact Information

Pursuant to Governing Law and for purposes specified in the Ordinance, the County has (i) designated a County representative to serve as Program Manager and (ii) contracted with a third party to serve as Administrator. The contact information for each of Program Manager and Administrator are set forth below.

Program Manager:

Mr. Rich Dooley, AICP
Community Energy Coordinator
Arlington Initiative to Rethink Energy (AIRE)
Arlington County Department of Environmental Services
2100 Clarendon Blvd., Suite 705
Arlington, VA 22201
703.228.3532
rdooley@arlingtonva.us

Administrator:

Mr. Scott Dicke
Director, C-PACE Program
Sustainable Real Estate Solutions
703.344.6432
SDicke@PACEworx.com