



Commercial Handbook

March 6, 2013

A low cost financing program for commercial, industrial, and multi-family
buildings in San Bernardino County

1 Program Introduction

1.1 Program overview

In 2008 and 2009, the State of California approved legislation authorizing cities and counties to establish voluntary programs to pay for energy efficiency, water efficiency, renewable energy products and electric vehicle charging infrastructure products which are permanently attached to property (“Eligible Products”).

The SANBAG HERO Program (the “HERO Program” or “Program”) was created by the San Bernardino Associated Governments (“SANBAG”) to enable cities in the County of San Bernardino (the “County”) and the County itself to elect to participate in the HERO Program and thereby enable the HERO Program to provide homeowners and businesses with financing to pay for energy efficiency, water efficiency, renewable energy products and electric vehicle charging infrastructure and their installation.

Once a city or the County has elected to participate in the HERO Program, owners of commercial property within such city or the County may borrow money through the HERO Program. Commercial property owners repay the financing through annual installments collected on their property tax bill. Participation in the Program is completely voluntary. Property owners agree to repay the amount financed over a 5-, 10-, 15- or 20-year period dependent upon the Eligible Products being financed. As of the date on the cover of this Handbook, the County has elected to make the HERO Program available in the unincorporated territory within the County and the following cities have elected to make the HERO Program available in their jurisdictions: Adelanto, Big Bear Lake, Chino, Chino Hills, Colton, Fontana, Grand Terrace, Hesperia, Highland, Loma Linda, Montclair, Ontario, Rancho Cucamonga, Rialto, San Bernardino, Twentynine Palms, Victorville, Yucaipa and Yucca Valley (each such city and the County may be referred to as a “Participating Entity”).

1.2 Handbook structure

The purpose of the handbook is to help property owners apply for and receive financing for energy efficiency, renewable generation, water conservation and electric vehicle charging infrastructure products and installation. The handbook is divided into nine sections plus appendices, which will take the reader through the process necessary to complete and fund the Eligible Products. For capitalized terms used in the Handbook please see Appendix A – Glossary of Terms.

- Section 1: Program Introduction provides a brief overview of Program basics
- Section 2: Program Contact Information
- Section 3: Future Program Changes to the Handbook
- Section 4: Program Eligibility describes eligibility requirements for commercial properties, property owners, and Eligible Products
- Section 5: Program Requirements outlines the requirements for Program participation
- Section 6: Financial Terms outlines the cost of the Program
- Section 7: Program Process provides a detailed description of the Program process
- Section 8: Dispute Resolution provides summary of steps to take if an applicant wishes to dispute decisions by the Program
- Section 9: Additional Requirements and Terms provides information about additional Program requirements and terms
- Appendices: Appendices provide important forms and definitions, which are required by the Program

For purposes of the handbook, all references to “days” are in calendar days, unless otherwise specified.

1.3 Other Terms and Disclaimers

All applicants **must** (and interested parties such as contractors should) read the Additional Terms and Requirements section in the Appendices. **Applicants will be required to certify that they have read the Additional Terms and Requirements as a precondition to participating in the Program.** This section outlines many of the legal issues associated with the Program, including the responsibilities and obligations of both participating property owners and Program staff.

2 Program Contact Information

2.1 Program Website

The Program website will provide a variety of useful information, including information on how the Program works, Eligible Products, available rebates and tax credits, and a list of contractors who have registered with the Program and attended the Program orientation. In addition, commercial property owners will be able to download all necessary application documents online and contractors will be able to register online. The Program website address is ca.herocommercial.com.

2.2 Program Call Center

Property owners and contractors may call (855) 228-8224 to ask questions about the Commercial HERO Program or request a copy of the application by mail or email. Program Call Center hours are 8 am to 5 pm PST, Monday through Friday. Please see the Program website at ca.herocommercial.com for recent updates about the call center operation times, phone number and other relevant information.

2.3 Program Contact Information and Other Useful Resources

General questions about the Program can be answered by visiting the Program website at ca.herocommercial.com, calling the Program’s toll free number at (855) 228-8224.

Program Contacts		
	Phone Number(s):	Address:
SANBAG	(909) 884-8276	1170 w. 3rd Street San Bernardino, CA 92410-1715
Samas Capital LLC	Program Call Center Number: (855) 228-8224 Program Fax Number: (949) 861-6212 Program Email: california@samascapital.com Contractor Email: contractor@samascapital.com	
Other Useful Information		

Commercial HERO Program™ Handbook

Building Performance Institute	BPI is a national standards development and credentialing organization for residential energy efficiency retrofit work – providing training through a network of training affiliate organizations, individual certifications, company accreditations and quality assurance programs.	www.bpi.org (877) 274-1274
CalCERTS	CalCERTS is an approved California Energy Commission (CEC) Home Energy Rating System (HERS) Provider. CalCERTS, Inc. is a private organization that provides service, support, training and certification to HERS raters.	https://www.calcerts.com/ (877) 437-7787
California Building Performance Contractors Association	CBPCA is a non-profit 501c-6 trade association that develops, trains and promotes whole house energy-efficient retrofitting for contractors and professionals in the building performance industry. BPI and HERS training and certification are available.	http://thebpcpa.org/ (510) 433-5042
California Solar Initiative (Go Solar California)	The California Solar Initiative (CSI) is the solar rebate program for California consumers that are customers of the investor-owned utilities, including Southern California Edison (SCE).	http://www.GoSolarCalifornia.ca.gov (866) 584-7436 (technical) Solar PV – SC Edison (800) 799-4177 (general) Solar PV – SC Edison (800) 799-4177 Solar Thermal – SC Edison (800) Gas-2000 Solar Thermal -- SoCalGas
Contractors State License Board	The Contractors State License Board (CSLB) protects consumers by licensing and regulating California's construction industry.	www.cslb.ca.gov CLSB License Check check Contractor's License Status 1 (800) 321-CSLB (2752)
DSIRE	DSIRE is a comprehensive source of information on state, federal, local, and utility incentives and policies that support renewable energy and energy efficiency.	www.dsireusa.org
Energy Star	Energy Star is a government-backed program helping businesses and individuals protect the environment through superior energy efficiency. Energy Star provides energy efficiency standards, qualified and labeled energy efficiency products and recommended installation methods, among other things.	www.energystar.gov Energy Star Hotline for specific questions about specific products (888) 782-7937
Federal Tax Credits	Information page about federal tax credits available for energy efficiency and renewable energy improvements.	www.energysavers.gov/financial/70010.html
State and Local Rebates	See your local utility company information above. See also, Energy Upgrade California to search for rebates by zip code.	See local utility company information above. See also Energy Upgrade California, https://energyupgradeca.org/county/san_bernardino/overview (800) 736-4777 SC Edison EUC Program (800) 427-2200 SoCalGas EUC Program
Title 24 Hot Line	The Title 24 Hotline is provided by the California Energy Commission and is intended to help contractors and others interpret and understand the rules in California Code of Regulations Title 24 regulations for new construction of and retrofitting of residential and commercial buildings.	www.energy.ca.gov/efficiency/hotline.html (800) 772-3300 Mon.-Fri. 8AM – 12 PM, 1 PM – 4:30 PM

3 Future Program Changes

SANBAG reserves the right to change the Program and its terms at any time; however, any such change will not affect a property owner's existing obligation to pay the contractual assessment agreed to in an executed Assessment Contract.

A property owner's participation in the Program will be subject to the requirements set forth in this Handbook and other documents and other documents that constitute the agreement between SANBAG and the property owner. If any provisions of this Handbook are determined to be unlawful, void, or for any reason unenforceable, then that provision shall be deemed severable from the Handbook and shall not affect the validity and enforceability of any remaining provisions.

4 Program Eligibility Requirements

Potential property applicants should carefully review this section in order to determine whether they are eligible for the Program before submitting an application.

4.1 Eligible Applicants

In addition to the property eligibility requirements, commercial property owners must meet specific criteria in order to be eligible to participate in the Program. The eligibility criteria for commercial property owners are set forth below.

4.1.1 Qualification Criteria:

- Applicant property owner(s) must be the property owner(s) of record of the property upon which the Eligible Products are to be installed.
- Mortgage debt lender(s) have given consent to Program financing.
- Property owner(s) must be current on property taxes on the subject property and the property owner(s) certify(ies) that such owner(s) have not had a late payment on their property tax more than once during the prior three (3) years (or since the purchase of the subject property, if owned by such property owner(s) less than three (3) years).
- Property owners must be current on all property debt on the subject property for a period of six (6) months prior to the application, including no payment defaults or technical defaults (or since purchase if the property has been owned less than six (6) months by the current owner(s)), through funding.
- Property owner(s) or their affiliated companies have not been involved in a bankruptcy proceeding during the past seven (7) years and the property proposed to be subject to the contractual assessment must not currently be an asset in a bankruptcy proceeding.
- All individual property owners must sign the application, assessment contract and all required notices. For properties owned by corporations, LLC's or LLP's, signatures by authorized representatives and/or corporate resolutions are required.
- Non-profit organizations must stipulate that they have not claimed an exemption from taxes.

4.2 Eligible Properties

To be eligible, the property must meet the following requirements:

- The property must be located in the jurisdictional boundaries of a Participating Entity.
- The property must be improved. Project financing may not be used to finance the installment of Eligible Products in conjunction with new construction on a previously vacant parcel.

- Property must not have any liens other than lender debt or liens recorded by community facility districts or similar financing districts.
- The property must be subject to the payment of property taxes.
- Eligible Product costs are reasonable in relation to property value. Proposed Eligible Products must not exceed 15% of the market value of the property.
- Property has a debt service coverage ratio of 105% or higher.
- Mortgage-related debt on the property plus the principal amount of the contractual assessment does not exceed 90% of the market value of the property.
- The total annual property tax and assessments, including the contractual assessment, on the property will not exceed 5% of the property's market value, as determined at the time of approval of the contractual assessment.
- The property cannot currently be an asset in a bankruptcy proceeding.

4.3 Eligible Products

The Program offers financing for various energy efficiency, renewable energy, and water efficiency products ("Eligible Products").

4.3.1 Eligible Products Must Be Permanently Fixed, New Products

Only permanently fixed, new Eligible Products can be financed by the Program. Remanufactured, refurbished, slightly used, or new equipment transferred from a previous location are not eligible. Previously installed products are not eligible for Program financing. Also, products that are not permanently fixed are ineligible, including appliances, light bulbs and other non-fixtures.

4.3.2 Proposed Products Must Meet Minimum Eligibility Requirements

There are minimum efficiency and/or other requirements for each Eligible Product. The products are required to adhere to standards set forth in Title 24 of the California Code of Regulations ("CCR").

At the time of submitting the application, contractors or property owners are required to also submit a project proposal. The project proposal should include:

- Description of existing and proposed equipment.
- Description of existing and proposed control mechanism(s).
- Explanation of how energy savings will be achieved.
- Justification for existing and proposed operating hours.
- Estimated energy savings per improvement.
- Estimated cost savings per improvement.
- Useful life of each proposed improvement.
- Specification sheets for proposed equipment that meets Program requirements.
- Estimated project cost per measure.
- Calculations in the original, editable format; where
 - assumptions and equations must be well documented and supported, and
 - calculations should properly capture the equipment performance and load characteristics.

An independent engineering firm, AESC, will go over the project proposal and ensure that it meets the eligibility requirements; AESC will also provide an independent assessment of the cash flow projections and input assumptions.

4.3.3 Solar Systems Must Meet CSI Requirements

All solar PV and solar thermal systems must use California Solar Initiative (CSI) eligible equipment and must be installed according to CSI requirements. The Program recommends that energy efficiency measures be completed prior to installing solar PV systems, as reducing a property's energy demands may also reduce the recommended size of the renewable energy system. Additionally, the Program will not finance any structural alteration of the roof, the building, or the property related to the installation of a solar system.

4.4 Eligible Costs

Eligible costs under the Program include both the cost of the equipment and the installation costs. Installation costs may include, but are not limited to, energy/water audit costs, appraisals, labor, design, drafting, engineering, permit fees, and inspection charges. The installation must be completed by a licensed contractor of the property owner's choice who is registered with the Program.

For property owners who elect to complete their Program retrofits at the same time as a larger capital project, financing is only available for retrofitting or new installations on the existing structure with Eligible Products. Repairs to the existing building's envelope, systems, and/or infrastructure are not eligible except where they are caused by the installation of the Eligible Product. If a property owner is planning to finance Eligible Products included in a larger remodeling project, they should first contact Program Representatives to determine what costs will be eligible for financing.

The cost of installing the Eligible Products must be reasonable and accomplished within industry cost guidelines. The Program shall have the right to refuse to advance funding for any portion of a Completion Certificate that exceeds such guidelines, and/or to request additional documentation or other information to determine the reasonableness of any Completion Certificate.

4.5 Eligible Contractors

Only contractors who have registered with the Program may complete Program financed installation work. Contractors may register with the Program if they have an active license with the California Contractors State License Board ("CSLB"), including meeting the CSLB's bonding and workers compensation insurance requirements and agree to all Program terms and conditions. In addition, contractors may only install Eligible Products for which they have the appropriate CSLB license. All Solar PV and solar thermal systems must be installed by a CSI registered installer holding the correct contractor's license.

PROPERTY OWNERS ARE SOLELY RESPONSIBLE FOR AND MUST INDEPENDENTLY CHOOSE AND CONTRACT WITH THE CONTRACTORS TO WORK ON THE INSTALLATION OF THEIR ELIGIBLE PRODUCTS. SANBAG, SAMAS CAPITAL AND EACH OF THE PARTICIPATING ENTITIES, THEIR RESPECTIVE OFFICERS, EMPLOYEES, AGENT AND ASSIGNS DO NOT ENDORSE OR RECOMMEND CONTRACTORS WHO REGISTER WITH THE PROGRAM, NOR DO THEY GUARANTEE, WARRANTY OR OTHERWISE INSURE THE COMPLETION OF THE INSTALLATION OF THE ELIGIBLE PRODUCTS OR THE OPERATION OF THE ELIGIBLE PRODUCTS, ANY OTHER PERSON INVOLVED WITH THE INSTALLED PRODUCTS, OR THE DESIGN OF SUCH PRODUCTS, OR WARRANT THE ECONOMIC VALUE, ENERGY SAVINGS, SAFETY, DURABILITY OR RELIABILITY OF THE ELIGIBLE PRODUCTS.

A current listing of contractors registered for the Program who have also attended the Program orientation can be found on the Program website (ca.herocommercial.com/FindContractors).

4.6 Eligible Assessment Amounts

The minimum assessment amount is \$5,000. The maximum assessment amount is 15% of the value of the property not to exceed a combined mortgage and assessment contract amount of 90% of the value of the property or not to exceed \$5,000,000.

For commercial properties, the value of the property will be the market value based on either the assessed value of the property or a recent appraisal. You may choose to pay for an appraisal from a licensed appraiser and the Program will review the appraisal and determine whether it may be used for eligibility calculations.

4.7 Eligible Assessment Term(s)

Assessment Contracts may include financing with a 5-, 10-, 15-, 20-, or 25-year term, but the financing term may not exceed the “useful life” of the installed Eligible Product.

The Program reserves the right to approve a different assessment term than requested based on the useful life of the Eligible Product(s) to be installed.

4.8 Eligible Rebate Programs and Tax Credits

For energy efficiency, renewable energy, and water efficiency Eligible Products, various federal tax credits, state and local rebates, and incentive programs exist.

Not all Eligible Products eligible under the Program will qualify for federal tax credits and/or state or local utility rebates. For example, some of the federal tax credit specifications require a higher energy efficiency standard than those required by the Program.

Neither SANBAG, Samas Capital nor the Program make any representation or warranty whatsoever that Eligible Products will qualify for any tax credits, rebates or other incentive programs.

For information on rebates and tax credits, please visit the rebates pages listed in Section 2.4 above, including Energy Upgrade California at https://energyupgradeca.org/county/san_bernardino/overview, which allows a zip code search for a comprehensive list of different types of rebates available in the area. Other resources include a “Rebate Locator” on the Energy Star website (<http://www.energystar.gov>) and a “Rebate Finder” on the WaterSense website (<http://www.epa.gov/WaterSense/>), as well as a comprehensive source of information on state, federal, local, and utility incentives and policies that support renewable energy and energy efficiency on the DSIRE website (<http://www.dsireusa.org>).

4.8.1 Deductions from Financing Amount

All available up front federal, state, or utility rebates that are assignable to the contractor must be deducted from the assessment amount at the time of financing. **The property owner and the contractor will be responsible for notifying SANBAG and Samas Capital of the qualification of or award or grant to the Eligible Products for any such assignable rebates.**

Performance-based incentives which are paid over time, such as the CSI PBI rebate, will not be deducted. State or federal tax credits and rebates that are not assignable to the contractor are also not deductible from the assessment amount, but property owners may wish to consider these additional benefits in determining the amount of their financing request.

4.8.2 Solar Rebates and Program Participation

Property owners who plan to install solar photovoltaic (“solar PV”) or solar thermal water heating systems must be eligible for and participate in the appropriate California Solar Initiative (“CSI”) rebate program, unless rebates are

not available or the property is currently not connected to the utility grid (solar PV only). Most solar installers can assist property owners with applying for these rebates.

4.9 Eligible Number of Assessments

A property owner may apply for another assessment under the Program for the same property or an additional property(s), as long as all assessments under the Program for a particular property owner still meet all Program requirements as to maximum assessment limits.

5 Program Requirements

5.1 Contractor Registration

All contractors who install Program-financed Eligible Products must register with the Program.

Any contractor who is licensed by the State of California and is in good standing with the Contractors State License Board (“CSLB”), including meeting all applicable bonding and insurance requirements, and who meets any fraud check requirements, is eligible to register with the Program.

Contractors must also agree to abide by all Program terms and conditions, including:

- Pulling permits as required by the local building department for the installation of Eligible Products..
- Obtaining approval of proposed Eligible Products in advance of ordering or installing such Eligible Products by calling the Program or completing the Custom Product Application process.
- Installing only Eligible Products that meet the required eligibility specifications.
- Only installing Eligible Products for which he/she has the correct contractor’s license.
- Providing evidence of a business license for the jurisdiction that the contractor is operating within.

Contractors who also attend a Program orientation will be listed on the Program website.

SANBAG, SAMAS CAPITAL, EACH OF THE PARTICIPATING ENTITIES AND THEIR RESPECTIVE OFFICERS, EMPLOYEES AND AGENTS DO NOT ENDORSE OR RECOMMEND CONTRACTORS WHO REGISTER WITH THE PROGRAM, NOR DO THEY GUARANTEE, WARRANTY OR OTHERWISE INSURE THE COMPLETION OF THE INSTALLATION OF THE ELIGIBLE PRODUCTS BY SUCH CONTRACTORS OR THE OPERATION OF THE ELIGIBLE PRODUCTS OR ANY OTHER PERSON INVOLVED WITH THE INSTALLED PRODUCTS, THE DESIGN OR MANUFACTURE OF SUCH PRODUCTS, OR THE ECONOMIC VALUE, ENERGY SAVINGS, SAFETY, DURABILITY OR RELIABILITY OF SUCH PRODUCTS.

5.2 Building Permits and Inspection

Property owners are responsible for obtaining any required building permits for Eligible Products. If permits are required, the pulled permit documentation must be submitted with the Completion Certificate.

Property owners should speak with their contractors to determine if their Eligible Products will require a permit and/or inspection.

Program staff may also schedule an on-site validation visit to confirm that the approved Eligible Product was fully and permanently installed before approving a submitted Completion Certificate.

5.3 Fraudulent Activity

Any misrepresentations made to the Program in the application, the contractor's bid or any other document at any time during the Program is likely to cause the property owner and/or the contractor to be terminated from the Program and may result in legal action. For example, such misrepresentation may, in the sole discretion of SANBAG, result in denial of an application, a notification that any installed Eligible Products will be ineligible to be financed by the HERO Program, or a legal proceeding, civil or criminal, to recover any fraudulently obtained funds.

5.4 Required Documents

Required documents must be submitted at different steps in the Program process. For a list of required documents which must be submitted and when they need to be submitted, please see Section 7, Program Process.

6 Financial Terms

6.1 Costs to Apply

An application fee may be required and will not exceed the greater of \$500 or one percent (1%) of the financing amount per application for commercial properties; provided however, such fee may not exceed the actual cost of processing the application. The owner may not include this cost in the financing request. Except as otherwise provided in applicable federal or state law, the application fee is nonrefundable, unless the property owner is deemed ineligible and the unused portion of the application fee may be prorated.

6.2 Assessment Costs

Below are the costs to utilize Program financing for the installation of Eligible Products on your property.

6.2.1 Program Financing Fee

A Program Financing Fee is a onetime fee of not to exceed 7% that can be added to the amount of the assessment. The Program Financing Fee covers the cost of issuing bonds by SANBAG to finance the installation of the Eligible Products and the costs to approve and fund installation of the Eligible Products. The amount of the Program Financing Fee is identified on the Program website and in the Financing Documents.

6.2.2 Interest Rate

The interest rate for the assessment will be based on market rates. The final interest rate will be set at the time the Financing Documents are issued and sent to the property owners. The current estimated interest rate(s) will be available on the Program website, with the actual interest rate identified in the Financing Documents.

6.2.3 Capitalized Interest

Based on the closing date of your assessment, payments on your assessment may not begin until the following year's tax statement. This is the amount of interest that is added to the assessment amount for the period between your closing date and the date of your first assessment payment. The amount of interest for your assessment will be included on your Financing Documents.

6.2.4 Recording Fees

Property owners will need to pay for any and all fees their respective County charges to record the assessment lien documents and related notices. These fees are added to the assessment amount. The total County recording fee amount will be listed on the Assessment Contract.

6.2.5 Annual Assessment Administrative Fee

Additionally, each year, an annual assessment administrative fee will be added to the assessment lien amount on property tax bills. This fee covers the annual costs to place the lien on your property tax bill and manage the tax payments as well as pay the Program Trustee. The annual assessment administrative fee will be identified in the Financing Documents.

6.3 Annual Repayments

Property owners will repay principal and interest over 5-, 10-, 15-, 20, or 25-years, depending on their approved term. Payment will be billed and paid through a separate line item on the property owner's property tax bill. As with other property taxes, the assessment payment is due in one or two installments each year (each payment, an "Assessment Installment"). The not-to-exceed payment schedule will be attached to the Assessment Contract that property owners sign, which sets forth the annual amounts due during the assessment term. Failure to pay the Assessment Installments and the Annual Administrative Assessment Fees when due will result in the accrual of additional interest and penalties and may result in judicial foreclosure on and sale of the property of the delinquent property owner.

6.4 Prepayments

Property owners may choose to prepay their assessment lien in full or in increments of \$5,000 at any time.

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However, if you do prepay the assessment lien, you will need to pay (i) the principal amount of the assessment to be prepaid (the "Assessment Prepayment Amount"), (ii) a prepayment premium of 5%, (iii) interest on the Assessment Prepayment Amount to the earlier of March 2 or September 2 occurring at least 90 days following the date the prepayment is made and (iv) a processing fee of up to \$500.

In order to prepay, the property owner will need to contact the Program to initiate the prepayment process. If the assessment is to be repaid in full, this will include a calculation of the principal, interest and prepayment costs.

7 Program Process

The Program Process section describes the entire process for commercial property owners, contractors, and Program Representatives from before the project begins, though all steps of the financing process.

7.1 Process Overview

The chart below shows the steps for the completion of a commercial project financed through the Program:



7.2 Step 1: Apply

7.2.1 Application

Each property owner will need to complete an application and pay the application fee, if applicable.

Property owners have the option of submitting the application by:

1. Phone: (855) 228-8224
2. Fax: (949) 861-6212
3. Email: california@samascapital.com

Submission of an application does not guarantee that a property owner will be approved for financing. Also, if a property owner proceeds with ordering and/or installation of any Eligible Products prior to receiving approval, the property owner risks becoming ineligible for Program financing. Furthermore, if a property owner is approved for financing but then installs products that are not eligible, the installation of any such ineligible products will not be funded.

By submitting an application, property owners are specifically authorizing and agreeing that the Program staff has permission to obtain a credit report for each property owner and any other informational reports needed to verify bankruptcy and current property debt, obtain a property valuation, verify the property owners' declarations regarding title to the property and current and historical property tax status, and complete any other necessary record checks to verify information in the application or confirm eligibility for the Program.

A copy of the application for the Program is available on the Program website (ca.hercommercial.com). The application is a step-by-step process where each applicant provides personal and property information. Applicants can call (855) 228-8224 and a Customer Support Specialist will guide them through the application process.

7.3 Step 2: Property & Property Owner Approval

7.3.1 Application Results

Applicants will be contacted by their Client Support Specialist to receive official notification of the status of their applications. If the financing amount exceeds the financing threshold, the property owner will have the option to have an appraisal run. The property owner will be able to finance the maximum amount of the highest property value between the county assessed value and the appraised value. All appraisal costs will be borne by the property owner.

7.4 Step 3: Project Approval

7.4.1 Scope of Project - Obtain Quote

Property owners must determine which Eligible Product(s) they wish to finance through the Program.

Property owners can work directly with an energy/water auditor and/or contractors to determine the scope of their project.

It is highly recommended that property owners perform a comprehensive energy/water audit on their property before considering any Eligible Products. A comprehensive audit applies building science principles

from data collected on the subject property utilizing sophisticated diagnostic equipment including a blower door, duct blaster, and digital infrared camera to precisely detect the cause and measure the effects of building performance related problems.

To find an energy auditor, contact the California Building Performance Contractors Association (CBPCA), Building Performance Institute (BPI), CalCERTS, or RESNET. Some energy auditors also provide performance contracting work and specialize in energy efficiency products.

Property owners should register and then complete the rebate process for their solar PV projects with CSI, or the appropriate local utility, when available. Please note that structural work to support a solar system is not eligible for financing even if the system itself is eligible.

7.4.2 Independent Third Party Engineering Firm Product Approval

Once the property and property owner have been approved, an independent third party engineering firm will review the submitted project proposal to verify that the proposed improvements are eligible per the program guidelines and that the assumptions used to model the project are reasonable per market standards. If there is a modification to the project proposal at any point in time, the contractor or property owner must contact the Client Support Specialist again and repeat the process outlined above.

The Program reserves the right to deny any Product or Project. Reasons for denial may include, but are not limited to, any of the following: if it appears that the proposed product is not cost effective, is too experimental or unreliable, the claimed energy or water savings or renewable energy generation product is not clearly supported, the costs do not appear to be in conformance with industry standards, or installation of the product may violate local laws or regulations. The Program will provide a written explanation for any denial.

7.5 Step 4: Lender Acknowledgement

7.5.1 Lender Acknowledgement

Samas Capital works with the property owner to obtain the affirmative acknowledgement of existing lenders whose affirmative acknowledgement is required for further encumbrance. Samas Capital will provide the property owner with a package including: program information (i.e. history, background, and benefits) as well as the project specifications. Samas Capital will also make itself available for consultation with existing lenders. Samas Capital can provide options to the property owner if the lender denies acknowledgement, such as refinance of existing first mortgage through an approved lender.

7.6 Step 5: Sign Financing Documents

After products are approved, the Client Support Specialist will email property owners their Financing Documents, which must be signed and received by the Program Representative at 32 Executive Park, Suite 105, Irvine, CA 92618 by the date stated on the signature page of the Assessment Contract:

1. Signed Assessment Contract with exhibits thereto;
2. Signed Application

The due date on the signature page of the Assessment Contract will generally be ten (10) calendar days from the date of issuance of the Financing Documents. This means that the original, executed Financing Documents must be received by the Program by the close of business on the stated due date.

If all property owner(s) for a particular property fail to sign and submit Financing Documents by the required date, new Financing Documents will need to be issued with a new interest rate. Repeated delays requiring repeated

reissuance of Financing Documents, however, may result in a cancellation of approval, or processing fee charge, for Program financing.

The property owner will also receive an email, which informs the property owner and contractor of the next steps. Included with the Financing Documents will be the Completion Certification, which will list the approved Eligible Products.

7.7 Step 6: Install Eligible Product

A property owner and SANBAG must enter into an Assessment Contract and the property owner must sign all Financing Documents (see Step 5 above) PRIOR to ordering Eligible Products or commencing or causing the commencement of installation of such products.

Installation may only be completed by a contractor who has registered with the Program. Eligible contractors may register with the Program if they have met all the requirements and sign an agreement to comply with all Program terms and conditions.

All Eligible Product installations, inspections or validations, and submission of the Completion Certificate and required attachments must be completed within the date indicated on the Completion Certificate. Applicants who are completing larger projects and/or who believe they need more time may contact the Program to come to an agreement on an appropriate completion period.

If the approval period expires without the Program agreeing to an extension in writing, the property owner may be required to sign new Financing Documents.

SANBAG, SAMAS CAPITAL, EACH OF THE PARTICIPATING ENTITIES AND THEIR RESPECTIVE OFFICERS, EMPLOYEES AND AGENTS DO NOT ENDORSE OR RECOMMEND CONTRACTORS WHO REGISTER WITH THE PROGRAM, NOR DO THEY GUARANTEE, WARRANTY OR OTHERWISE INSURE THE COMPLETION OF THE INSTALLATION OF THE ELIGIBLE PRODUCTS BY SUCH CONTRACTORS OR THE OPERATION OF THE ELIGIBLE PRODUCTS OR ANY OTHER PERSON INVOLVED WITH THE INSTALLED PRODUCTS, THE DESIGN OR MANUFACTURE OF SUCH PRODUCTS, OR THE ECONOMIC VALUE, ENERGY SAVINGS, SAFETY, DURABILITY OR RELIABILITY OF SUCH PRODUCTS.

7.7.1 Building Permit Requirements

Property owners are responsible for obtaining building permits and completing inspections, including final inspection sign-off, by the appropriate City or County Building Department. Property owners are also responsible for ensuring that their Eligible Products have met all other applicable federal, state and local laws and regulations, including Title 24. Property owners should speak with their contractors to determine if their Eligible Products require a building permit and/or inspection and what requirements must be met.

The Program has the right to schedule an on-site validation visit once the Completion Certificate is submitted for any installed, Program-financed Eligible Products.

7.8 Step 7: Payment Issued

7.8.1 Submit Completion Certificate

Once installation is complete, the property owner must submit an executed Completion Certificate and all required attachments to the Program for approval. To do so, the following conditions must be met: (1) all installed Eligible Products or Custom Products have been specifically approved by the Program in advance of installation and listed in one or more Completion Certificate(s); (2) all Eligible Products or Custom Products to be financed have

been completed and installed in compliance with Program rules; and, (3) property owner(s) are submitting a complete Completion Certificate within the financing period set forth in the application approval letter.

The Completion Certificate must be submitted with the following documents:

1. A final invoice from all contractor(s) or product invoice(s) if self-installed;
2. If required by the jurisdiction, a pulled permit from the appropriate city or county building department for all permitted Eligible Products or Custom Products;
3. If a solar PV or solar thermal system was installed, a copy of the CSI Rebate Reservation form, including the CSI Reservation number;
4. Specific Eligible Product Attachments:
 - a) Window, door, skylight or window film – must attach peel off NFRC labels with Energy Star efficiency information (one for each financed window, door, etc.)
 - b) Duct Sealing – must attach HERS Report
 - c) Air sealing – must attach blower door test results

Completion Certificates and required attachments may be submitted to the Program by facsimile, email, mail or hand delivery.

If an on-site validation visit is required before approval or the Completion Certificate is incomplete, Program Representatives will notify the property owner by email or mail of the next steps.

7.8.2 Right to Validate Products by SANBAG

The Program reserves the right to perform independent on-site validation(s) of any Eligible Products financed by the Program even if permit inspections have already been completed.

If a validation visit is required, Program staff will schedule any such on-site validation visit with the property owner once a Completion Certificate has been submitted.

7.9 Record Lien on Property and Issue Payment

After receiving the executed Completion Certificate, the Program will record the assessment lien documents with the respective County, issue bonds to finance the installation of the Eligible Products and other costs, and issue payment. Payment will be issued to the contractor(s) listed in the Completion Certificate(s) and signed by the property owner.

7.10 Add Assessment to Property Taxes

For all property owners who sign Financing Documents, the Program will submit to the County a tax roll that identifies the assessment lien and the assessment due. This assessment payment will appear as a separate line item on a property owner's annual property tax bills for the term of the financing.

7.10.1 Assessment Payments on Property Tax Bill

Property owners who apply to the Program must be able to pay the agreed-upon assessment regardless of a change in personal or corporate financial circumstances, the condition of the property, or the condition, operation or efficiency of performance of the Eligible Products. As with other property taxes, failure to pay the assessment will result in penalties, interest, and eventually, foreclosure of the property by SANBAG or tax sale of the property by the County Tax Collector.

Recordation of the assessment lien on the property will establish a continuing annual lien. As with other property taxes, the property owner may pay the entire annual amount on the date the first installment is due OR he or she may pay in two installments on the dates such installments are due.

If the property owner wishes to sell the property, under California law, property taxes typically stay with the property when it is sold and the same is true with assessments. Under the HERO Program, when a property owner sells or refinances their property, SANBAG and the County will permit their assessment to stay with the property; **however, the seller's lender or the buyer's lender may require that the seller pay off the remaining outstanding balance of their HERO Program assessment when the property owner refinances or sells the property. Accordingly, depending upon the requirements of the lenders, the seller may be able to remain on the property (or in the case of a refinancing allow it to remain on the property), or the seller may need to pay the unpaid balance at the time of transfer or refinance.** Property owners should consult with their lenders at the time of refinance or sale of the property to determine whether their Program assessment will need to be paid in full. In addition, by law, property owners must provide notice of the assessment to the buyer prior to sale of the property.

If a property owner uses an impound account to pay his or her taxes, he or she can contact his or her lender to increase monthly impound payments by an amount equal to the total annual assessment divided by twelve (12) months.

The contractual assessment amounts and any associated ongoing fees will be based on the installation costs, Program financing fees, ongoing administration fees and the effective interest rate of the Program. Amounts will be specified in the Financing Documents in the Schedule of Assessment Payments attached to the Assessment Contract.

8 Dispute Resolution

The parties who have signed an Assessment Contract for the Program shall attempt in good faith to promptly resolve any dispute arising out of or relating to any Assessment Contract under the Program by negotiations between SANBAG or his or her designated representative and the Property Owner. Either party must give the other party or parties written notice (sent by certified mail) of any dispute. Within thirty (30) calendar days after delivery of the notice, SANBAG and the Property Owner shall meet at a mutually acceptable time and place, and shall attempt to resolve the dispute. If the matter has not been resolved within thirty (30) calendar days of the first meeting, any party may pursue other remedies, including mediation. All negotiations and any mediation conducted pursuant to this clause are confidential and shall be treated as compromise and settlement negotiations, to which Section 1152.5 of the California Evidence Code shall apply, and Section 1152.5 is incorporated herein by reference. Notwithstanding the foregoing provisions, a party may seek a preliminary injunction or other provisional judicial remedy if in its judgment such action is necessary to avoid irreparable damage or to preserve the status quo. Each party is required to continue to perform its obligations under the Assessment Contract pending final resolution of any dispute arising out of or relating to the Assessment Contract.

Property Owners who wish to dispute decision(s) made by SANBAG, but who have not signed a formal Assessment Contract, shall use a similar process. Written notice must be sent by certified mail to SANBAG at 1170 W. 3rd Street, 2nd Floor, San Bernardino, CA 9241001715 to the attention of the Executive Director of SANBAG with a copy to General Counsel of SANBAG sent to the same address. The notice must identify the issue(s) for resolution, the circumstances that surround the issue(s), the section in the Handbook that the issue(s) pertain(s) to, and a timeline of events. Within thirty (30) calendar days after delivery of the notice, SANBAG with the Property Owner, and shall attempt to resolve the dispute. SANBAG shall render a written decision in 30 calendar days and send that decision to the Property Owner. The decision of SANBAG is final.

9 Additional Requirements and Terms

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Additional requirements and terms for the Program are set forth in Appendix B to this Handbook. **ALL PROGRAM APPLICANTS, BORROWERS, AND CONTRACTORS ARE SUBJECT TO THESE ADDITIONAL REQUIREMENTS AND TERMS AS APPLICABLE AND ARE RESPONSIBLE FOR REVIEWING AND UNDERSTANDING THESE ADDITIONAL REQUIREMENTS AND TERMS. APPLICANTS, BORROWERS AND CONTRACTORS ARE RESPONSIBLE FOR CONTACTING THE PROGRAM STAFF FOR CLARIFICATION OF ANY ADDITIONAL REQUIREMENT OR TERM THAT IS NOT UNDERSTOOD AND/OR SEEKING ADVICE FROM THEIR OWN ATTORNEY REGARDING ANY SUCH ADDITIONAL REQUIREMENT OR TERM.**

10 Appendices

Appendix A: Glossary of Terms

Annual Fuel Utilization Efficiency (AFUE): AFUE is the standard measurement of efficiency for gas and oil-fired furnaces. Given in percentages, this number tells you how much of your fuel is used to heat your home and how much fuel is wasted. The higher the AFUE rating, the greater the efficiency.

Assembly Bill 811 or AB 811: Approved in July 2008 by the California legislature, authorizes cities and counties to establish voluntary contractual assessment programs to fund an array of conservation and renewable energy projects proposed by property owners.

Assembly Bill 474 or AB 474: Approved in October 2009 by the California legislature, expands provisions enacted by Assembly Bill 811 to authorize the legislative body of any public agency, as defined, to determine that it would be in the public interest to designate an area within which authorized officials and free and willing property owners may enter into contractual assessments to finance the installation of eligible water conservation products that are permanently fixed to real property.

Assessment Contract: A contract entered into between the property owner and SANBAG to provide financing for Eligible Products under the HERO Program.

British Thermal Units (Btu): The amount of heat required to raise the temperature of one (1) pound of water one (1) degree Fahrenheit.

Building Performance Institute (BPI): BPI is a national standards development and credentialing organization for residential energy efficiency retrofit work – providing training through a network of training affiliate organizations, individual certifications, company accreditations and quality assurance programs. BPI certifications include building analysts (for energy audits) as well as building envelope professionals (envelope or manufactured housing) and mechanical professionals (heating or cooling).

Building Permits: Formal approval of building plans by the designated government agency as meeting the requirements of prescribed codes. It is an authorization to proceed with the construction or reconfiguration of a specific structure at a particular site, in accordance with the approved drawings and specifications.

California Solar Initiative (CSI): The California Solar Initiative is part of the Go Solar California campaign and builds on 10 years of state solar rebates offered to customers in California's investor-owned utility territories: Pacific Gas & Electric (PG&E), Southern California Edison (SCE), and San Diego Gas & Electric (SDG&E). The California Solar Initiative is overseen by the California Public Utilities Commission.

Coefficient of Performance (COP): The COP is the basic parameter used to report efficiency of refrigerant based systems.

Commercial: Commercial entities are defined as all non-residential properties and include apartment buildings with five units or more and industrial properties.

Completion Certificate: A document completed and executed by a property owner participating in the HERO Program and such property owner's contractor upon completion of the installation of Eligible Products containing such certifications of such property owner and such contractor that required to be made as a condition precedent to the financing of the installation of such Eligible Products through the HERO Program.

Contractor: A person or business entity who contracts to erect buildings, or portions of buildings, or systems within buildings.

Cool Roof: A cool roof reflects and emits the sun's heat back to the sky instead of transferring it to the building below. "Coolness" is measured by two properties, solar reflectance and thermal emittance. Both properties are measured from zero (0) to one (1) and the higher the value, the "cooler" the roof

Cool Roof Rating Council (CRRC): The CRRC is an independent, non-profit organization that maintains a third-party rating system for radiative properties of roof surfacing materials.

CSLB: The California State Licensing Board is the state entity in California that licenses and regulates all contractors. You may check a contractor's license status, as well as their bonding and workers compensation information at any time on the CSLB website.

Custom Products: Energy efficiency, water conservation, renewable energy or electric vehicle charging infrastructure products that require special approval to be financed through the HERO Program because the products are not included on the approved Eligible Products List.

DSIRE: A comprehensive source of information on state, federal, local, and utility incentives and policies that support renewable energy and energy efficiency. Established in 1995 and funded by the U.S. Department of Energy, DSIRE is an ongoing project of the North Carolina Solar Center and the Interstate Renewable Energy Council, Inc.

Eligible Products: All Eligible Products listed in Appendix D.

Energy Audit: An evaluation of energy consumption, as in a home or business, to determine ways in which energy can be conserved.

Energy Efficiency Ratio (EER): EER is a measure of how efficiently a cooling system will operate when the outdoor temperature is at a specific level (95of). The higher the EER, the more efficient the system.

Energy Star: EnergyStar is a joint program of the U.S. Environmental Protection Agency and the U.S. Department of Energy helping us all save money and protect the environment through energy efficient products and practices.

Expected Performance-Based Buy-Down (EPBB): Solar installations smaller than 30 kw in capacity that can be eligible to receive a one-time, up-front incentive based on expected performance, and calculated by equipment ratings and installation factors (geographic location, tilt and shading). EPBB payments are provided on a \$ per watt basis. Systems eligible for EPBB can choose to opt-in to the PBI system.

Evapotranspiration (ET): ET is a term used to describe the sum of evaporation and plant transpiration from the Earth's land surface to atmosphere.

Financing Documents: The Financing Documents are all the documents which the property owner participating the HERO Program must sign as set forth in the application, Completion Certificate and Assessment Contract.

Heat Seasonal Performance Factor (HSPF): HSPF is the most commonly used measure of a heat pumps heating efficiency. The higher the HSPF, the more efficient the heat pump.

HERO Program or Program: The SANBAG HERO Program.

Improved Property: Improved property is land with one or more structures on it. It is the opposite of vacant or unimproved property. Only Eligible Products installed on Improved Property may be financed through the HERO Program.

Interconnection Agreement: A legal document authorizing the flow of electricity between the facilities of two electric systems. Under the CSI Program, eligible renewable energy systems must be permanently interconnected and operating in parallel to the electrical distribution grid of the utility serving the customer's

electrical load. Portable systems are not eligible. Proof of interconnection and parallel operation is required prior to receiving an incentive payment.

Investor-Owned Utility (IOU): For purposes of the Program, this refers to Southern California Edison Company.

Kilowatt (kw): A unit of electrical power equal to 1,000 watts, which constitutes the basic unit of electrical demand. The watt is a metric measurement of power (not energy) and is the rate (not the duration over which) electricity is used. 1,000 kw is equal to 1 megawatt (MW).

Kilowatt Hour (kwh): The use of 1,000 watts of electricity for one full hour. Unlike kw, kwh is a measure of energy, not power, and is the unit on which the price of electrical energy is based. Electricity rates are most commonly expressed in cents per kilowatt hour.

Market Value: Highest estimated price that a buyer would pay and a seller would accept for an item in an open and competitive market.

Megawatt (MW): Unit of electrical power equal to one million watts; also equals 1,000 kw.

Net Operating Income (NOI): Net operating income is rental income of a property after operating expenses. These expenses would include all operating expenses, including maintenance, janitorial, supplies, insurance, accounting, management, etc.

Real Property: A property in any city or county that has authorized participation in the Program and that is subject to a real property tax.

Performance based Incentive (PBI): All systems over 30 kw must take the PBI. Any sized system can elect to take PBI. The PBI pays out an incentive, based on actual kwh production, over a period of five years. PBI payments are provided on a \$ per kilowatt-hour basis.

Renewable Energy: Electricity supplied by energy sources that are naturally and continually replenished, such as wind, solar power, geothermal, small hydropower, and various forms of biomass.

Residential: Single family home, fewer than four (4) residential units.

R-Value: R-Value is a measure of thermal resistance used in the building and construction industry, usually for insulation. The higher the R-Value, the greater the insulation qualities of the product.

San Bernardino Associated Governments (“SANBAG”): Is a joint powers authority representing 24 cities and the County of San Bernardino.

Seasonal Energy Efficiency Ratio (SEER): SEER is most commonly used to measure the efficiency of central air conditioners and air source heat pumps. SEER measures how efficiently a cooling system will operate over an entire season. The higher the SEER, the more efficient the system.

Solar Heat Gain Coefficient (SHGC): SHGC measures how well a product blocks heat by sunlight. SHGC is expressed as a number between 0 and 1. The lower the SHGC, the less solar heat is transmitted into the building.

Solar Rating and Certification Corporation (SRCC): The SRCC currently administers a certification, rating, and labeling program for solar collectors and a similar program for complete solar water heating systems.

Title 24: CCR Title 24, also known as the California Building Standards Code, is a compilation of three types of building standards from three different origins:

- Building standards that have been adopted by state agencies without change from building standards contained in national model codes;

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- Building standards that have been adopted and adapted from the national model code standards to meet California conditions;
- Building standards, authorized by the California legislature, that constitute extensive additions not covered by the model codes that have been adopted to address particular California concerns.

Water Audit: Water Audit is a qualitative and quantitative analysis of water consumption to identify means of reducing, reusing and recycling of water.

WaterSense: WaterSense is a partnership program sponsored by the U.S. Environmental Protection Agency (EPA) with the goal of protecting the future of the US's water supply. By promoting and enhancing the market for water efficient products and services, WaterSense makes every drop count by leveraging relationships with key utility, manufacturer and retail partners across the U.S.

Appendix B: Additional Requirements and Terms

In addition to the Program eligibility criteria and requirements described above in the Handbook, the following additional terms are required of all property owners who participate in the Program.

Property Owner Agrees to All Program Terms

By execution of the Assessment Contract documents, each executing property owner certifies that they have read, understood and agreed to the terms of the Program as outlined in the Program Handbook in addition to the terms of the Assessment Contract. Property owner also thereby certifies that the property owner(s), the property, and the products meet all Program eligibility requirements.

Authority to Install Products

By execution of the assessment contract documents, each property owner represents that he or she has the authority to install the approved products on the property named in the Assessment Contract documents.

No Endorsement by SANBAG or Samas Capital

The property owner(s) understand, acknowledge and agree that review of the proposed products, the determination that such products are Eligible Products and authorization for Program funding of the installation of such products by SANBAG and Samas Capital shall not be construed as a confirmation or endorsement of the qualifications, efficiency or performance of such products, the contractors that installed such products, the manufacturer of or any other person involved with the products; or the design of the products; or a warranty or guaranty the performance, economic value, energy savings, safety, durability or reliability of such products.

Property Owner Is Responsible for Products, Permits and Inspections

The property owner is solely responsible for all products installed on his or her property, including the selection of any contractor(s), energy auditor(s), or equipment, including manufacturers. Any performance related issues are the responsibility of the property owner and the property owner's contractor(s). **SANBAG, SAMAS CAPITAL, EACH OF THE PARTICIPATING ENTITIES AND THEIR RESPECTIVE OFFICERS, EMPLOYEES AND AGENTS DO NOT ENDORSE OR RECOMMEND CONTRACTORS WHO REGISTER WITH THE PROGRAM, NOR DO THEY GUARANTEE, WARRANTY OR OTHERWISE INSURE THE COMPLETION OF THE INSTALLATION OF THE ELIGIBLE PRODUCTS BY SUCH CONTRACTORS OR THE OPERATION OF THE ELIGIBLE PRODUCTS OR ANY OTHER PERSON INVOLVED WITH THE INSTALLED PRODUCTS, THE DESIGN OR MANUFACTURE OF SUCH PRODUCTS, OR THE ECONOMIC VALUE, ENERGY SAVINGS, SAFETY, DURABILITY OR RELIABILITY OF SUCH PRODUCTS.**

Completion of all city and county permitting and inspections are the responsibility of the property owner.

Program May Inspect Products

The Program reserves the right to inspect any and all products financed by the Program at any time during installation or when a Completion Certificate is submitted to ensure compliance with the Program.

Dispute Resolution

The parties to any Assessment Contract under the Program shall attempt in good faith to resolve any dispute arising out of or relating to it promptly by negotiations between SANBAG and an authorized representative of the property owner.

Defaults on Assessment Payments

After written notification, defaults in payment of assessments will result in the initiation of foreclosure proceedings on the December 1st following such default.

Rebates and Tax Credits

Federal, state, or local laws or rebate programs may change at any time. Therefore, the Program is not liable for any loss of or change in a rebate or tax credit. Property owners should consult with their tax advisors and/or accountants as to the applicability of any federal tax credits to their personal tax situation.

Tax Deductibility of Contractual Assessment

Please confer with your tax advisor as to whether he or she recommends deducting any part of your contractual assessment on your tax return.

Program Database

All information obtained from property owners through the Program will be used only for purposes of the Program, CSI or other utility rebate programs, energy savings tracking, and federal or state grant program funds tracking and surveys.

Prepayments

Early pre-payment of the assessment may result in pre-payment penalties as set forth in the Assessment Contract.

Releases and Indemnification

By submitting a Program application, property owner thereby acknowledges that SANBAG has established the HERO Program solely for the purpose of assisting the property owners in the city or county where their property is located with the financing of Eligible Products and that SANBAG, each Participating Entity, Samas Capital and their respective officers, employees, agents and assigns have no responsibility of any kind for, and shall have no liability arising out of, the installation, operation, financing, refinancing or maintenance of such Eligible Products. Property owner agrees that property owner and his or her successors in interest to the fee simple title in the subject property shall be solely responsible for the installation, operation, financing, refinancing or maintenance of such Eligible Products. Participation in the Program does not in any way obligate SANBAG, any Participating Entity, Samas Capital and/or their respective officers, employees, agents and assigns to guarantee or ensure the performance of any Eligible Products. Property owner thereby acknowledges that the subject property will be responsible for payment of the contractual assessment regardless of whether the products are property installed or operate as expected.

Property owner also agrees to release, defend, indemnify, and hold harmless SANBAG, the Participating Entities, their respective officers, employees, agent assigns, from and against any claims, actions, demands, costs, damages or lawsuits, including the payment of attorney fees and cost of court, arising out of or in any way connected with his or her participation in the Program, including, without limitation, the installation, maintenance or repair of the products or compliance with any applicable federal, state or local laws.

Disclosure of Participant Information

By submitting a Program application, property owner agrees that SANBAG may disclose his or her personal information to Program staff, and that SANBAG and Program staff may disclose that information to third parties when such disclosure is essential to the conduct of SANBAG's business or to provide services to property owner, including, but not limited to, where such disclosure is necessary to (i) comply with the law, legal process or our

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regulators, (ii) enable SANBAG or the Program staff or consultants to provide services to property owner and to otherwise perform their duties, and (iii) obtain and provide credit reporting information.

In order to receive funding for the Program and to enable communication regarding the State of California's rebate program, property owner consents to the release of his or her name and contact information to the California Solar Initiative or the utility solar rebate program operated by the Local Utility. Property owner further agrees to the release of his or her name and contact information and the subject property's utility usage data for 12 months before installation of the improvements and up to 24 months after installation of the improvements from the local utility company to SANBAG, Program staff, its grantors, and its designated contractors for the purpose of conducting surveys and evaluating the Program and its impact. In addition, property owner understands that SANBAG is a public agency which, in certain circumstances, may have an obligation to release information under the California Public Records Act or pursuant to court order

Renewable Energy Certificates and other Green Attributes

For those property owners who install solar PV or non-PV electricity generating systems, Renewable Energy Certificates ("RECs") and all related green attributes will be assigned to the Property Owner for the length of the financing term. RECs can only be registered and tracked for properties with monitoring systems.

Contractor Marketing Guidelines

The SANBAG HERO Program has provided Contractor Trademark and Logo Usage Guidelines for any third party wishing to reference the Program in that third party's marketing materials. These guidelines should be strictly adhered to or such third party will risk being excluded from participating in the Program in the most severe instances.

Appendix C: Eligible Products List

Energy Efficiency Products

Product		Eligibility Specifications	Max. Term																		
Air Sealing and Weatherization		Contractors should follow the Building Performance Institute ("BPI") standards, Energy Star guidelines and/or ASHRAE 62.2-7 2007 Ventilation Standards for air sealing and weatherization. It is mandatory that air sealing levels are measured by a blower door test before and after improvements are made. A copy of the blower door test results (CFM ₅₀) before and after improvements are installed must be included with the Completion Certificate. Mechanical ventilation should be installed if natural ventilation is below the minimum levels specified in ASHRAE 62.2-7 2007 Ventilation Standards.	10 years																		
Insulation	Attic	Energy Star labeled and R-30 minimum required in open attic; cathedral ceilings will vary.	20 years																		
	Wall	Energy Star labeled and R-19 minimum, or fill wall cavity (e.g., for 2x4, R-13 will fill wall cavity)	20 years																		
	Floor (over unconditioned space)	Energy Star labeled and R-19 minimum	20 years																		
	Perimeter (foundation)	R-10 minimum	20 years																		
	Ducts (in unconditioned space)	R-6 minimum	20 years																		
	Reflective Insulation and Radiant Barriers	Foil type radiant barriers are recommended. Ventilation and moisture control requirements should be considered.	20 years																		
Cool Roof System		<p>1. Roofing products including liquid coatings must comply with all mandatory measures of the current CCR Title 24. The roofing products manufacturer must have its roofing product listed in the CRRC's Rated Product Directory (see http://www.coolroofs.org) OR, for steep sloped roofs only, be an approved Above-Sheathing Ventilation (ASV) metal roofing product whose manufacturer has provided sufficient evidence of energy savings equivalent to the minimum solar reflectance and thermal emissivity requirements set forth below.</p> <p>2. Roofing products must at a minimum meet the following solar reflectance and thermal emissivity requirements. In the case of liquid roofing products, the overall final roof assembly or surface, with the product applied, must meet these requirements:</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th>steep sloped applications</th> <th>Initial*</th> <th>Aged*</th> </tr> </thead> <tbody> <tr> <td>minimum solar reflectance</td> <td>0.25</td> <td>0.2</td> </tr> <tr> <td>minimum thermal emittance</td> <td>0.75</td> <td>0.75</td> </tr> <tr> <th>low sloped applications</th> <th>Initial*</th> <th>Aged*</th> </tr> <tr> <td>minimum solar reflectance</td> <td>0.65</td> <td>0.5</td> </tr> <tr> <td>minimum thermal emittance</td> <td>0.75</td> <td>0.75</td> </tr> </tbody> </table> <p>3. Any project involving roofing may be subject to additional code compliance requirements such as those prescribed by the California Building Code, or CCR Title 24 for additions and alterations. The project stakeholder is fully and solely responsible to meet any such additional requirements.</p> <p>*"Initial" is the score for that product when it is newly installed. "Aged" is the score for that product after it has been installed on the roof for three years.</p>	steep sloped applications	Initial*	Aged*	minimum solar reflectance	0.25	0.2	minimum thermal emittance	0.75	0.75	low sloped applications	Initial*	Aged*	minimum solar reflectance	0.65	0.5	minimum thermal emittance	0.75	0.75	20 years
steep sloped applications	Initial*	Aged*																			
minimum solar reflectance	0.25	0.2																			
minimum thermal emittance	0.75	0.75																			
low sloped applications	Initial*	Aged*																			
minimum solar reflectance	0.65	0.5																			
minimum thermal emittance	0.75	0.75																			
Space Heating, Ventilation, and Air Conditioning (HVAC)	Programmable Thermostat	Shipped with a default energy saving program that is capable of maintaining two separate programs (to address the different comfort needs of weekdays and weekends) and four temperature settings or more for each day.	15 years																		
	Duct Sealing	A HERS test is required for duct replacement or repair. A copy of the CF6R Form will be required as part of the Completion Certificate. Total CFM leakage should be less than 6%. Contractors should follow Energy Star guidelines.	20 years																		
	Boiler	On Energy Star Qualified list (≥ 85% AFUE).	20 years																		

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	High Efficiency Furnace	On Energy Star Qualified list: Natural Gas or Propane (≥ 90% AFUE).	15 years										
	Whole House Fan	Must be included on the Southern California Edison Qualifying Product List.	20 years										
	Attic Fan	Fan must have controls (thermostat). Fan opening must be properly insulated and sealed in winter. Solar-powered fans are allowed.	15 years										
	Ceiling Fan	Must be on Energy Star Qualified list.	10 years										
	Other Ventilating Fans	On Energy Star Qualified list. <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 70%;"></th> <th style="width: 30%; text-align: center;">Minimum Efficacy (in cubic feet of airflow per minute per watt (cfm/W))</th> </tr> </thead> <tbody> <tr> <td>Range Hoods – up to cfm (max)</td> <td style="text-align: center;">2.8</td> </tr> <tr> <td>Bathroom and Utility Room Fans – 10 to 89 cfm</td> <td style="text-align: center;">1.4</td> </tr> <tr> <td>Bathroom and Utility Room Fans – 90 to 500 cfm (max)</td> <td style="text-align: center;">2.8</td> </tr> <tr> <td>In-Line (single-port & multi-port) Fans</td> <td style="text-align: center;">2.8</td> </tr> </tbody> </table>		Minimum Efficacy (in cubic feet of airflow per minute per watt (cfm/W))	Range Hoods – up to cfm (max)	2.8	Bathroom and Utility Room Fans – 10 to 89 cfm	1.4	Bathroom and Utility Room Fans – 90 to 500 cfm (max)	2.8	In-Line (single-port & multi-port) Fans	2.8	10 years
	Minimum Efficacy (in cubic feet of airflow per minute per watt (cfm/W))												
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Bathroom and Utility Room Fans – 90 to 500 cfm (max)	2.8												
In-Line (single-port & multi-port) Fans	2.8												
	Air Source Heat Pumps	On Energy Star Qualified and AHRI lists: <ul style="list-style-type: none"> Split systems: ≥ 8.2 HSPF, ≥12 EER and ≥ 14.5 SEER Packaged systems: ≥ 8 HSPF, ≥11 EER and ≥ 14 SEER <p>The AHRI Number for the system must be provided to ensure the system meets Energy Star and AHRI minimum values.</p>	15 years										
	Ground Source Heat Pumps	On Energy Star Qualified list: <u>As of January 1, 2011:</u> <ul style="list-style-type: none"> Closed Loop (water to air): ≥ 16.1 EER and ≥ 3.5 COP Open Loop (water to air): ≥ 18.2 EER and ≥ 3.8 COP Closed Loop (water to water): ≥ 15.1 EER and ≥ 3.0 COP Open Loop (water to water): ≥ 19.1 EER and ≥ 3.4 COP DGX (Direct Expansion): ≥ 16.0 EER and ≥ 3.6 COP <u>As of January 1, 2012:</u> <ul style="list-style-type: none"> Closed Loop (water to air): ≥ 17.1 EER and ≥ 3.6 COP Open Loop (water to air): ≥ 21.1 EER and ≥ 4.1 COP Closed Loop (water to water): ≥ 16.1 EER and ≥ 3.1 COP Open Loop (water to water): ≥ 20.1 EER and ≥ 3.5 COP DGX (Direct Expansion): ≥ 16.0 EER and ≥ 3.6 COP 	15 years										
	Radiant Heating and Cooling (floor, wall, and ceiling)	Radiant systems must be powered by a qualified heat pump (electric or gas-fired, or ground-source), efficient gas boiler, or solar system (not by electric resistance).	15 years										
	Central Air Conditioner	On Energy Star Qualified and AHRI lists: <ul style="list-style-type: none"> Split systems: ≥12 EER and ≥14.5 SEER Packaged systems: ≥11 EER and ≥14 SEER <p>Replacement of existing system only. No new cooling systems.</p> <p>The AHRI Number for the system must be provided to ensure the system meets Energy Star and AHRI minimum values.</p>	15 years										
	Evaporative Cooler	Must be included on the Southern California Edison Qualified Product list. <p>Must be permanently installed through the wall or on the roof. Window installed evaporative coolers are not eligible.</p> <p>Must have separate ducting system— independent of the air conditioning and heating duct system.</p> <p>Can be single stage or two stage system that:</p> <ol style="list-style-type: none"> Has UL recognized electrical components; Comes with a water quality management system that provides positive removal of sump water on a regular interval (a bleed system is not allowed); Have a single duct or multi ducted distribution system; Have either: <ol style="list-style-type: none"> A multi-function manual control switch, which offers high and low fan speed, pump on or off and the unit control of on or off; or A thermostat specifically designed for evaporative coolers, which automatically control the unit operation based on the indoor temperature, fan speed, and pump operation. The automatic thermostat must be mounted remotely from the cooler. Pressure relief dampers are required. 	10 years										
	ECM Motor	The ECM (Electronically Commutated Motor) or frictionless fan motor may not be financed for longer than the remaining useful life of the forced air unit in which it is installed in.	10 years										

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Water Heating	Gas Condensing Water Heater	On Energy Star Qualified list or ≥ 0.8 EF	10 years
	Natural Gas Storage Water Heater	On Energy Star Qualified list: (≥ 0.67 EF)	10 years
	Tankless (Demand) Water Heater	On Energy Star Qualified list (≥ 0.82 EF)	20 years
	Electric Heat Pump Water Heater	On Energy Star Qualified list (≥ 2.0 EF)	15 years
Windows, Skylights, and Doors	Exterior Windows	Energy Star labeled (≤ 0.35 U Factor and ≤ 0.30 SHGC) Replacement windows only; no newly created windows. A copy of the NFRC label will be required with the Completion Certificate.	20 years
	Doors	Energy Star labeled: <ul style="list-style-type: none"> • Opaque ≤ 0.21 U Factor and no required rating for SHGC, • $\leq \frac{1}{2}$-lite ≤ 0.27 U-Factor and ≤ 0.30 SHGC • $> \frac{1}{2}$-lite ≤ 0.32 U-Factor and ≤ 0.30 SHGC A copy of the NFRC label will be required with the Completion Certificate.	20 years
	Skylights	Energy Star labeled (U Factor ≤ 0.57 and SHGC ≤ 0.30) Replacement skylights only, no new skylights. A copy of the NFRC label will be required with the Completion Certificate.	20 years
	Window Film	Spectrally selective window films. $\geq 70\%$ visible light transmission recommended. Must provide NFRC label or product sheet with the Completion Certificate.	10 years
Pool Equipment	High Efficiency Pool Circulating Pump and Motor	Must be included on the Southern California Edison Qualified Product list. Replace existing pool pump and motor with energy-efficient variable-speed pool pump on a single family residence pool. It is recommended that pump motor be premium rated efficiency (NEMA). May include add on of efficient pool filter which does not use backwashing. Proof of efficiency/no backwashing must be provided.	10 years
	Natural Gas Pool Heater	On Palm Desert Set to Save Qualifying Product List (Thermal efficiency $\geq 84\%$)	10 years
Lighting Measures	Indoor Fixtures	On Energy Star Qualified list. Must be permanently installed.	10 years

Renewable Energy Systems

Product	Eligibility Specifications	Max. Term
Solar Photovoltaic (PV)	System must be installed by a contractor registered with the California Solar Initiative Program who has the correct contractor's license to install solar systems. System owner must utilize equipment that has been approved by the California Solar Initiative rebate program. Systems must be grid-connected unless the property is not connected to the grid. Please see the Program Handbook for more information.	20 years
Solar Thermal Water Heating	Indoor Water Heating: The system (OG 200) must be certified by the Solar Rating and Certification Corporation (SRCC). Auxiliary tank must be residential-class. SF ≥ 0.5 Pool Heating: The collectors (OG 100) must be certified by the SRCC.	15 years
Small Wind Turbines	Equipment must be listed on California Energy Commission's List of Eligible Small Wind Turbines.	20 years

Water Efficiency Products

Product	Eligibility Specifications	Max. Term	
Indoor	High Efficiency Toilets	WaterSense qualified (≤ 1.28 gpf)	20 years
	Urinals	WaterSense qualified (≤ .5 gpf)	20 years
	Hot Water Delivery Systems (that save hot water)	Hot water delivery options as defined by the Energy Star "Volumetric Hot Water Savings Guidelines:" (a) Dedicated recirculating Line—This method of re-circulating hot water requires specially designed plumbing where the hot water pipe from your water heater is plumbed to each fixture in a loop fashion, and then continues back to the water heater through a third line (return line). A small pump re-circulates the hot water in a continuing loop, only shutting off with a timer or thermostat. (b) Whole house manifold systems—Whole house manifold systems, also called parallel pipe or home run systems, use small diameter, flexible pipes that run directly to each individual fixture from a central manifold located near the water heater. The manifold may be either plastic or metal, and the piping consists of flexible plastic piping such as PEX, which is a high- temperature, flexible polymer pipe. For example, bathroom sinks and showers would be on their own hot water line from the water heater. (c) Demand initiated recirculating systems—The user initiates demand-initiated recirculating systems by pushing a button or via a motion sensor located near the hot-water fixture. Pumps are used to send cold water in the pipes back to the water heater through a dedicated return line or the cold water line and pull hot water from the water heater to where it is needed. When the pump is operating, a sensor measures a change of temperature and turns the pump off when the desired temperature change is met. (d) Core plumbing systems—A core plumbing system is a system that has a central plumbing core, where the kitchen, the bathrooms, and the laundry room are in close proximity and the water heater is centrally located beneath the central plumbing core. The system is designed to minimize the total volume of pipe by limiting run lengths and designing the system in a tree-like structure with trunks, branches, and twigs, where longer pipe lengths have a much smaller pipe diameter. Please see http://www.EnergyStar.gov/ia/partners/bldrs_lenders_raters/downloads/Volumetric_Hot_Water_Savings_Guidelines.pdf for more information. Must be on the SoCal Water Smart rebate list.	15 years
Outdoor	Weather Based Irrigation Control Systems	A weather-based irrigation system (also called a Smart irrigation or "Evapotranspiration (ET)" controller or system) with a rain shut off device that uses weather data and/or site information such as plant type and sprinkler system output to adjust watering times and frequency. Please see http://www.epa.gov/watersense/products/controltech.html for more information. Must be on the SoCal Water Smart rebate list.	10 years
	Rotating Sprinkler Nozzles	Product also called "rotary nozzles and bodies." Replaces regular sprinkler nozzles and bodies with rotary versions that reduce water usage up to 20%. Should also have matched precipitation capability so that all spray patterns and radius deliver water evenly over the landscape area.	10 years
	Drip Irrigation	Drip irrigation systems in gardens, planters and beds.	10 years
	Rainwater Catchment	Must be permanently installed. Storage system to be sized to hold all water from a 1" rainfall event (or 0.62 gallons per sq foot of total roof area used for capture).	20 years
	Gray Water Systems	The system must meet Chapter 16A of the California Plumbing Code. Gray water re-use system to be used for irrigation or indoor use. Can be collected from clothes washer, showers, faucets or other sources. Single fixture systems are not eligible. Only permitted systems are eligible.	15 years