

APPENDIX E:

SUMMARY OF LOAN PROCESS

Project Scoping

The first step in the loan process is project scoping. Property owners can work directly with contractors to determine the scope of a project. Property owners can also schedule a meeting with OEM staff to discuss proposed Energy Improvements and to get no-cost and objective assistance with planning for those Energy Improvements.

Property owners can also request an optional, no-cost, on-site energy survey. The energy survey is intended to assist property owners in determining their most effective means for EIP participation. A no-cost solar site check is also available to help a property owner weigh his or her solar options.

As the project is defined, the property owner obtains a contractor's bid or determines the cost of the equipment if self-installing.

Program Application

The property owner calls, e-mails, or visits the Office of Energy Management to request an EIP application form (the "Application"). The OEM staff will provide an Application by hard copy, e-mail, facsimile, or web link as requested by the property owner. Applications and instructions are available online at the Palm Desert web site.

The property owner submits the Application together with its required attachments to the OEM. The OEM determines whether each Application is complete within 15 business days of receipt of the Application. The OEM will notify the property owner if the Application is complete, incomplete or denied by U.S. Mail, and additionally by phone, facsimile, or e-mail if requested by the property owner.

Applications will be processed on first-come, first-served basis until funds are no longer available.

Title Check

The OEM will verify that the applicant is the property owner through a City of Palm Desert contract with a nationally-recognized title company. This contract will provide for expedited title checks for EIP participants. The title company will provide a copy of the vesting deed for the property prior to the OEM's approval of the Application, and the OEM will also obtain a title insurance policy for the amount of the loan.

Application Review

During the Application Review process the OEM verifies that:

- (i) The application is complete and accurate;
- (ii) The property owner(s) owns the subject property;
- (iii) The subject property is developed and located in the City of Palm Desert;
- (iv) The subject property is not exempt from ad valorem property taxes;
- (v) The property owner(s) is/are current in the payment of ad valorem property taxes for the subject property;
- (vi) The property owner(s) has/have declared that the property owner(s) and the subject property is/are not currently involved in a bankruptcy proceeding;
- (vii) The proposed Energy Improvements and costs are eligible to be financed under the Program. If the proposed Energy Improvements are part of a project that includes new construction (e.g., a room addition), the costs of the work have been properly allocated between retrofitting and new construction;
- (viii) The cost estimate(s) is/are reasonable;
- (ix) The property owner(s) currently maintain(s) property insurance covering the subject property, and the insurance policy includes or will include coverage for the replacement cost (without deduction for depreciation) of the proposed Energy Improvements, and that the evidence of such insurance is satisfactory in form and substance to the OEM.
- (x) The proposed contractor(s) is/are licensed by the State of California and is/are in good standing with the Contractors State Licensing Board;
- (xi) The requested loan amount (including contingency) is equal to or greater than \$5,000 and is less than or equal to \$60,000; or the requested loan amount (including contingency) is greater than \$60,000 and less than or equal to \$100,000 and the City Manager has approved the application; and
- (xii) The value-to-lien ratio, calculated as ratio of (a) the value of the property to (b) the sum of the amount of (i) the requested amount of the EIP Loan (including contingency) and (ii) the amount all other liens on the property securing a special tax levied pursuant to the Mello-Roos Community Facilities Act of 1982, a special assessment, or any other contractual assessment (e.g., EIP Loan), is at least 10:1; or the City Manager has approved a lower value-to-lien ratio that is at least 8:1.
- (xiii) The term of the EIP Loan does not exceed the reasonably expected useful life expectancy of the proposed Energy Improvements; or the City Manager has approved a longer term of the EIP Loan that is no longer than the reasonably expected useful life expectancy of the Energy Improvements plus 5 years.
- (xiv) EIP funding is available.

Within 15 business days of receipt of an application, the OEM notifies the property owner if the application is incomplete, approved or denied.

- a. Incomplete. An application shall be deemed incomplete if it is missing any information or attachments the property owner is required to provide. Incomplete applications may be resubmitted. The OEM will process resubmitted applications on a first-come, first-served basis based upon the new receipt date.
- b. Approved. An application shall be deemed approved if the OEM has verified all of the items in step (i) through (xiv).
- c. Denied. An application shall be deemed denied if the OEM cannot verify any of the items in steps (i) through (xiv). A property owner may request a written statement of specific reasons for the denial within 60 business days of the date of notification of denial. In such case, the OEM will provide such a statement to the property owner within 15 business days of receipt of a request for a statement. Denied applications may be resubmitted. The OEM will process resubmitted applications on a first-come, first-served basis based upon the new receipt date.
 - i. If an application is denied on the sole basis that EIP funding is not available, the application does not need to be resubmitted; applicants will be placed on a waiting list based on the date of application receipt.
 - ii. If an application is denied because the cost estimate(s) is/are not deemed reasonable by the Director, a resubmitted application must be accompanied by additional documentation of cost estimates as determined in the Director's discretion, including, but not limited to, cost estimates provided by one or more additional contractors. The property owner will not be required to select the low bid; however, the Director may limit the maximum loan amount to an amount deemed reasonable by the Director.
- d. With respect to an application to finance a renewable energy system(s) other than solar (such as wind or geothermal) or a custom energy efficiency measure(s) (such as a combined heat and power system cogeneration system), or to finance an emerging technology, the OEM reserves the right to require the appropriate energy studies showing the energy savings and/or energy generation capabilities of the proposed project.

Loan Contract and Reservation

Within 20 business days of notification that an Application has been approved, the Director, on behalf of the City, will enter into a contractual assessment agreement (the "Loan Contract") with the property owner. This will assure the property owner that the

EIP Loan has been approved and that funds are reserved for the property owner's approved project. Property owner must execute the Loan Contract within 10 business days of receiving the documents. Failure of the property owner to execute a Loan Contract within such 10-day period will require the Application to be resubmitted. The OEM will process resubmitted applications on a first-come, first-served basis based upon the new receipt date.

Upon execution of a Loan Contract, the City records an assessment lien against the subject property in the City offices and the County Recorder's office.

A 10% contingency will be included in the Loan Contract to reserve additional funds for the property owner to draw against if needed in the case of change orders. A copy of the draft Loan Contract is included as Appendix D of this Report.

Installation of Improvements

Property owner enters into a contractual arrangement directly with a contractor for Energy Improvements unless the property owner is self-installing the Improvements. All work is subject to the City's Building Department permitting and inspections and all other applicable federal state and local laws and regulations. All work must be completed within 180 days of execution of the Loan Contract.

Progress Payments

If the maximum loan amount is \$20,000 or greater, the property owner may request in writing that the OEM make a progress payment prior to the completion of the work. The OEM shall make the progress payment within 20 business days of receipt of the request provided all of the following conditions have been met:

- At least 75 percent of the required materials have been delivered to the property and have been reasonably secured. The OEM has the discretion to make its own determination with respect to whether this condition has been satisfied; and
- The requested progress payment does not exceed 50 percent of the maximum loan amount.

Final Inspections

The Property owner notifies the OEM that all work has been completed. The OEM reserves the right to inspect completed work within five business days of receipt of notification that work is completed.

Based on satisfactory project completion, the OEM disburses loan funds to the property owner within 20 business days of the completion of the inspection. The total amount of funds to be disbursed shall not exceed the lesser of (i) the maximum loan amount

provided in the loan agreement (less the property owner's share of the title costs if not paid in cash by the property owner) or (ii) the actual costs.

Property Tax Rolls

The City staff sends a database of assessment installments to the Riverside County Assessor for collection of the assessment on the property tax roll.

No Construction Prior to City Authorization

If construction has commenced on an improvement prior to (a) property owner submittal and City approval of an EIP Application for the improvement (see Appendix C), and (b) execution of an EIP Loan Contract by the City with respect to the improvement (see Appendix D), such improvement will not be eligible for financing under the EIP.

After execution of an EIP Loan Contract by the City and the property owner, the City will provide confirmation of an acceptable title policy and authorization to commence work. Property owners should note the City's obligation to fund amounts under an EIP Loan Contract is contingent upon the City's confirmation of a title policy issued to the City in the EIP Loan amount and insuring the EIP Loan and the lien of the EIP assessment (see Appendix D). If a property owner commences construction of an Energy Improvement prior to City confirmation of its receipt of an acceptable title policy, the property owner proceeds at its own risk.