



## **DC PACE**

### Program Guidelines

Version 2.2

(Last Revised: July 28, 2017)

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Contact Information:

**Urban Ingenuity, the DC PACE Program Administrator**



**URBAN INGENUITY**

Upasana Kaku  
[ukaku@urbaningenuity.com](mailto:ukaku@urbaningenuity.com)  
202-796-8925

**District of Columbia Department of Energy and Environment**



Kenley Farmer  
[Kenley.farmer@dc.gov](mailto:Kenley.farmer@dc.gov)  
202-671-3314

## I) Introduction to PACE Financing

### A) What is PACE?

Property Assessed Clean Energy (PACE) enables property owners to finance improvements to their property. PACE offers a uniquely scalable solution for providing secure, low-cost capital for energy upgrades in commercial, industrial, and multifamily buildings, and it is now enabled in more than 33 states across the country.

DC PACE was created by an act of the Council of the District of Columbia in 2010 and is administered by Urban Ingenuity, working under contract to the District's Department of Energy and Environment (DOEE). DC PACE allows property owners to access financing for qualifying energy efficiency and clean energy improvements on their buildings and repay the investment through a special tax assessment. Like other benefit assessments, DC PACE is non-accelerating and the repayment obligation transfers automatically to the next owner if the property is sold. This arrangement spreads the cost of clean energy improvements – such as energy efficient boilers, upgraded insulation, new windows, or solar installations – over the expected life of the measure. DC PACE allows developers and property owners to overcome first cost barriers and install efficient equipment that pays for itself over the term of the special assessment.

PACE financing offers many benefits for both retrofit projects and new construction, including:

- Up to 100% financing for energy- and water-saving upgrades, including soft costs like energy audits and engineering;
- Annual savings that typically exceed annual payments, improving cash flows and net operating income;
- Increased asset value through improved cash flows and more efficient operations;
- Up to 20 year amortization at fixed or adjustable rates, to enable deeper retrofits and reduce monthly costs for building owners;
- A form of financing that is potentially off-balance sheet as repayment is through a tax assessment that transfers with the property title, and is not tied to the credit of the property owner or developer; and
- Low-risk due to energy modeling and independent engineering validation.

### B) Enabling Legislation

The statutory basis for DC PACE is contained in two pieces of legislation: The Energy Efficiency Financing Act of 2010 and the Sustainable DC Act of 2012. The history of these laws is as follows:

The Energy Efficiency Financing Act of 2010, [Law 18-183](#), was introduced to the District of Columbia Council and assigned Bill No. 18-580, which was referred to the Committee on Finance and Revenue and the Committee on Government Operations and the Environment. The bill was adopted on first and second readings on March 2, 2010, and March 16, 2010, respectively. Signed by the Mayor on April 7, 2010, it was assigned Act No. 18-382 and transmitted to Congress for its review. DC Law 18-183 became effective on May 27, 2010.

[Law 19-262](#), the "Sustainable DC Amendment Act of 2012," was introduced to the District of Columbia Council and assigned Bill No. 19-756. The Bill was adopted on first and second readings on Dec. 4, 2012, and Dec. 18, 2012, respectively. Signed by the Mayor on Jan. 16, 2013, it was assigned Act No. 19-615 and transmitted to Congress for its review. Law 19-262 became effective on Apr. 20, 2013.

## C) About the Department of Energy and Environment (DOEE)

DOEE's mission is to improve the quality of life for the residents and natural inhabitants of the nation's capital by protecting and restoring the environment, conserving our natural resources, mitigating pollution, increasing access to clean and renewable energy, and educating the public on ways to secure a sustainable future. The agency's core responsibilities include, but are not limited to, enforcing environmental regulations; monitoring and assessing environmental risks; developing energy and environmental policies; issuing permits; and providing residents and local businesses with funding, technical assistance, and information on initiatives designed to ensure a more resilient and sustainable city.

## D) About Urban Ingenuity

Urban Ingenuity is the private-sector program administrator (Administrator) for DC PACE. With special expertise in Property Assessed Clean Energy (PACE) financing and other public and private financing tools, Urban Ingenuity brings new capital resources to support deep energy efficiency retrofits of commercial and multifamily buildings, and to support the project development of clean-energy micro-grids, co-generation facilities, and solar installations. Urban Ingenuity assists building owners, property managers, investors and project developers, with the goal of cutting costs, enhancing financial performance, and funding capital improvement.

## E) About the PACE Program Guidelines

This document may be amended or revised at any time by the District or by the Administrator with the approval of DOEE. At any time, the most current version of the document may be found at [dcpace.com](http://dcpace.com). Please ensure that you are viewing the most current edition by checking the date and version number on this document against the version posted at [dcpace.com](http://dcpace.com).

# II) Eligibility Criteria

## A) Property Eligibility Criteria: Is my property eligible for DC PACE?

In order to be considered eligible, the property must meet the following criteria (note, the project may include an existing structure or new construction):

- The property must be located within the District.
- The applicant must be the legal owner of the property (and all legal owners of property agree to participate).
- The property must be a commercial, industrial, religious, or multifamily residential property (5 or more units). Single-family residential properties **do not** currently qualify for DC PACE.
- The property cannot be owned by the government (District Government, Federal Government, or foreign government). Publicly owned properties leased to a non-governmental entity via a long-term ground lease may be eligible.
- The property owner must be eligible to pay property taxes. (NOTE: Non-profit owners of commercial, industrial, and multifamily properties are eligible for DC PACE, regardless of whether or not they currently pay real estate taxes.)
- The property taxes and any other assessment payments must be current on the property, if applicable.
- The property owner must be current on all existing mortgages.

- The property must be clear of all notices of default or foreclosure in the past three years, or since acquired by current ownership, and cannot be subject to any involuntary liens or judgments.
- The property must be clear of any tax delinquencies for the past 3 years, or since acquired by current ownership.

## **B) Project Eligibility Criteria: What kinds of projects can be financed through DC PACE?**

### **1) Eligible Measures**

Any measures that directly reduces utility costs or adds renewable generating capacity is eligible for DC PACE financing. In addition, DC PACE can finance measures that are substantially related to or necessary for the installation of these energy and water conservation measures (e.g. a new roof to support a solar installation). DC PACE can finance up to 100% of eligible projects, including both hard and soft costs.

Some of the PACE-eligible measures are provided below. This list is not exclusive or exhaustive, and other measures may be considered and approved by the Administrator:

- Chillers, boilers, furnaces, HVAC systems
- Hot water heating systems
- Lighting upgrades
- Combustion and burner upgrades
- Automated building and HVAC controls
- Variable speed drives (VSDs) on motors fans and pumps
- Fuel switching
- Heat recovery and steam traps
- Window replacements
- Building enclosure/envelope improvements
- Building management systems
- Battery storage
- Water conservation measures
- Green roofs, bioswales, permeable paving, and other measures that assist properties in meeting stormwater management requirements
- Any measure or system that adds renewable energy capacity, including solar, wind, biomass, geothermal, cogeneration, etc.
- High efficiency commercial / industrial appliances that are substantially attached to the property (such as commercial kitchen equipment, industrial laundry equipment)
- Permitting, LEED certification, energy audits, engineering and design, energy modeling, staff training, and other soft costs related to the energy and water measures

Measures that are not typically eligible under DC PACE include:

- Cosmetic improvements (such as painting, new carpeting, etc. where measures serve no purpose to support energy and water conservation measures or the reduction of utility bills.)

- Non-commercial / industrial appliances (such as residential refrigerators, microwaves, other items not substantially affixed to the property). As noted above, commercial appliances that provide significant energy or other utility savings and are functionally attached to the property on a long-term basis as in affordable housing, industrial kitchens, or similar projects may be eligible.

## 2) Other Project Eligibility Criteria

- The Project must be installed on a property within the District, attached with sufficient permanence to be reasonably considered part of the property from an assessment and lending perspective.
- The Project must meet all applicable codes and licensing requirements.
- The Project must be implemented by contractors licensed and insured appropriately (please see the Section IV: Technical Application Guidance for specific requirements of contractors) and meet Measurement and Verification requirements outlined in Section IV: Technical Application Guidance.

## 3) Underwriting Guidelines:

Prior to approval of the project, the property owner must demonstrate that the proposed project meets the following underwriting guidelines:

- Loan-to-Value: The ratio of total debt (PACE plus existing mortgages or other debt on the property) to the value of the property, as demonstrated by a recent appraisal, market study, or the tax assessed value of the property, shall not exceed 80%. Exceptions to this guideline may be made with the approval of the PACE Capital Provider and the Administrator, subject to review and approval by DOEE.
- PACE-to-Value: The ratio of the PACE Assessment to the value of the property, as demonstrated by a recent appraisal, market study, or the tax assessed value of the property, shall not exceed 20%. If there is no existing debt on the property, the value of the PACE Assessment may be up to 35% of the property value. Exceptions to this guideline may be made with the approval of the PACE Capital Provider and the Administrator, subject to review and approval by DOEE.
- Debt Service Coverage Ratio: The property financials and post-rehab operation pro forma must demonstrate sufficient cash flows to pay the semi-annual PACE payments as determined by the PACE Capital Provider.
- Lender Consent: Any existing mortgage lenders must have provided consent to the property owner's participation in the program, as evidenced by their signature to the DC PACE Lender Consent Form.
- Savings to Investment Ratio (SIR): The value of the savings from the project must be reasonably expected to equal or exceed the amount of the principal of, and interest on, the PACE financing. Savings may include reduced expenses on utility bills, operations and maintenance, and other monetized benefits, as approved by an approved Independent Engineer. In short, the Savings-to-Investment Ratio must be greater than or equal to 1. The applicant may consider either: The undiscounted value of the savings and the undiscounted value of the payments (ie both numerator and denominator of the ratio are not discounted), OR, the net present value of the savings and net present value of the payments (ie both the numerator and denominator are discounted, and by the same discount rate). Please see Section IV: Technical Application Guidance for details.
- Term of Financing: The term of the financing shall not exceed the weighted average useful life of the installed equipment.

## III) The PACE Application Process

### Step 1: Prequalify

DC PACE is available for property owners of office, multifamily, institutional, and industrial properties. To apply for DC PACE financing, the Property Owner or Capital Provider must submit the Preliminary Application (see Appendix A or [online](#)). In response, the Administrator will provide a Letter of Preliminary Eligibility confirming that the property meets DC PACE eligibility criteria, or a notice of why the property is not eligible.

### Step 2: Assess

Work with your selected contractor or energy services provider to conduct an assessment of your building, identify potential energy conservation measures (ECM's), and define a scope of work (please see Section IV: Technical Application Guidance for information on assessment protocols). DC PACE maintains a list of approved Registered Contractors on the [dpace.com](http://dpace.com) website.

### Step 3: Apply

Property Owners have two options to complete Step 3 (the PACE application).

1. Option One: Property Owner may work directly with one of DC PACE's registered Capital Providers to submit an application as outlined in the Application Checklist (Appendix C).
2. Option Two: Property Owner may submit a DC PACE Full Application to the Administrator (Appendix B), who will work with the Property Owner to source a Capital Provider that meets their preferences.

**Option One:** A registered PACE Capital Provider has been identified:

1. The Property Owner will work directly with the selected Capital Provider to submit a complete application as outlined in the Application Checklist (Appendix C).

**Option Two:** A PACE Capital Provider has not been identified, and the Property Owner would like to see a range of indicative terms:

1. Complete the DC PACE Full Application (Appendix B).
2. The Administrator will circulate a term sheet solicitation to registered Capital Providers, and all interested Capital Providers will have the opportunity to respond with indicative terms.
3. The Administrator will present the Property Owner with indicative terms for review.
4. The Property Owner will select their preferred Capital Provider, who will then undertake further underwriting and due diligence in order to present a term sheet for acceptance.
5. The Administrator will work with the Property Owner to facilitate the development of a complete application as outline in the Application Checklist (Appendix C).



#### **Step 4: Administrator's Approval**

Upon receipt of a complete Application, the Administrator will review all documentation and confirm that the Application meets all applicable criteria, including the Project Eligibility Criteria and Underwriting Guidelines (see Section II: Eligibility Criteria). Upon completion of this review, the Administrator will indicate a determination of approval, which shall not be reasonably withheld, by submitting a Project Approval Report to DOEE, thereby making it an Approved Project.

#### **Step 5: Closing**

1. The Capital Provider, Property Owner, or their contractor submits the required closing documentation, such as contractor certifications, and an updated Validation Report if needed (see Section IV: Technical Application Guidance for further detail).
2. The Property Owner executes the PACE Funding Agreement, Consent to the Special Assessment, and PACE Assessment Memorandum.
3. The Administrator facilitates District Government signatures of the above document and records the PACE Assessment Memorandum in the land records of the District, thereby making it a Closed Project.

#### **Step 6: Funding**

1. Upon closing, the Capital Provider will make the funds available as agreed in the PACE Funding Agreement.
2. The Property Owner or their Contractor may begin construction and draw on the funds per the disbursement schedule agreed to in the closing documents. At the request of the Administrator, the Contractor(s) shall provide any reports (such as disbursement requests and commissioning reports) sent to the Property Owner or Capital Provider to the Administrator.
3. The Property Owner will make semi-annual PACE special assessment payments. The Office of Tax and Revenue (OTR) will send the Property Owner the semi-annual PACE Assessment bill according to the normal property tax schedule. In most circumstances, the first PACE assessment payment will be due at the end of the next full half tax-year following the PACE closing. If the Property Owner does not receive a PACE Assessment from the Office of Tax and Revenue, please contact the Administrator. For more information on the District's tax billing cycle, please visit <http://otr.cfo.dc.gov/page/real-property-tax-bills-due-dates-and-delayed-bills>.
4. The Property Owner participates in Measurement and Verification or benchmarking as established in section IV: Technical Application Guidance.

### **IV) Technical Application Guidance**

The Administrator is responsible for ensuring that all Applications meet the DC PACE program requirements. The following summary lists the Application components and technical review process and is designed to provide guidance to contractors who are preparing the technical component of the Application.

For more information about project eligibility criteria and what measures can be financed through PACE, please see Section II: Eligibility Criteria.

## A) DC PACE Technical Application & Validation Process

Once the Administrator has screened a project for initial eligibility, the contractor and the Property Owner will gather the elements of the project, including work scope, costs, savings, energy modeling (if needed), and the various supporting documentation described below.

For a complete technical application, DC PACE will require completion of three pieces of documentation:

- 1) **DC PACE Energy Audit Worksheet**
- 2) **Energy Audit / Energy Model and Supporting Documentation.** This should include an audit report, any modeling, Boiler Light Worksheet (for boiler or other HVAC-only replacement projects), a Solar Feasibility Study (for solar projects), equipment specifications, or bids/proposals.
- 3) **Utility Bills.** Include utility bills for at least 12 consecutive months (24 months is preferred).

Completion of the technical underwriting portion of the Application is typically the responsibility of the contractor, engineer, energy auditor, or owner's agent.

## B) Audit Level Selection

For complex multi-measure projects, the Administrator typically requires an ASHRAE Level II (or, in certain specific cases, an ASHRAE Level III) audit or equivalent. For simple single-measure projects a lower level may be appropriate. For solar projects, contractors should complete a Solar Feasibility Study, and for boiler replacement projects, complete the Boiler Light Worksheet referenced above.

- **ASHRAE Level I – A walk-through audit.** An analysis made to assess building energy efficiency to identify potential energy conservation measures (ECMs), appropriate for simple one or two-measure projects with readily determined costs and savings, such as lighting improvements or like-for-like equipment replacement.
- **ASHRAE Level II – An energy audit performed by an independent audit contractor.** A comprehensive analysis of the facility energy systems, energy use, and a quantitative evaluation of the ECMs cost and savings potential. This level of analysis can involve advanced on-site measurements and sophisticated simulation tools to evaluate the selected energy retrofits, and is appropriate for multi-measure retrofits whose savings and costs require more complex calculation. An evaluation of operations and maintenance costs savings (or increases) must be included in the analysis.
- **ASHRAE Level III – Investment-grade audit performed by independent auditor.** A detailed analysis requiring rigorous engineering study and appropriate for major capital investments. This level of audit may be required for specific cases, e.g. multi-measure projects on new construction or for a building that will be substantially changing use.

## C) Key Elements of the Energy Audit

Regardless of the level of energy audit required, there are a few required data points that must be completed in the energy audit worksheet:

- **Scope of Energy Conservation Measures** – List of the proposed ECMs, including description of the previously installed equipment (if applicable), schedule of equipment to be installed, and cost estimates for the proposed scope of work.
- **Expected Useful Life of ECMs** – Predicted lifetime of the proposed equipment and savings that they will generate – typically between 10 to 30 years for most pieces of equipment. Predicted Equipment Useful Life (EUL) should be based on ASHRAE (or other comparable industry standards) or manufacturer data, and the Administrator may request the source of the data. For further guidance on typical EULs, please see our external technical application resources.
- **Energy Baseline** –The energy savings will be calculated against a baseline, which will be documented as follows:
  - If baseline energy use data is available for the property, the contractor should provide:
    - Identification of the baseline period;
    - Baseline energy consumption and demand data, including recent copies of all major use account billings;
    - All independent variable data coinciding with the energy data, if applicable (e.g. changes in occupancy, weather data, ambient temperature, etc.);
    - All static factors coinciding with the energy data (e.g. occupancy, utility rates, etc.); and
    - Details of baseline data analysis performed (if applicable), e.g. analysis, weather normalization, any other adjustments (such as adjustments needed to reflect expected changes in occupancy, or to create a code-compliant baseline if the building currently does not meet applicable DC building codes).
  - DC PACE allows for the use of PACE financing to fund energy and water saving improvements and related building upgrades in new construction and substantial rehabilitation projects.
    - For *substantial* rehabilitation projects, DC PACE will allow building owners to index baseline energy use to an appropriately rigorous, site-specific baseline demonstrated in a transparent energy model provided by the building owner’s engineering or design firm and approved by DC PACE.
    - For *new* construction projects, the contractor may model a baseline that would conform at minimum with ASHRAE 90.1 – 2007 standards. The contractor or property owner may also choose to model a baseline in accordance with current or expected DC building code.
- **Estimated Savings** – The energy audit should project estimated savings to the property over the expected useful life of the equipment. DC PACE may consider savings from the following categories:
  - **Utility Savings:** Estimate of annual savings on electricity, gas, or water bills that will result from the proposed scope of work.
  - **Operations & Maintenance Savings:** Net avoided spending on operations and maintenance attributable to the new equipment, including costs of labor, spare parts,

service contracts, etc. This may include annual savings or may only apply in some years during the life of the equipment.

- **Avoided Capital Costs:** DC PACE will allow a portion of the capital cost of new equipment to be considered savings, if the equipment to be replaced is nearing (or past) the end of its useful life. A property owner typically sets aside money each year in order to pay for the eventual costs of system replacement. By paying upfront to replace systems before they fail, the owner is 'saving' in future years what they would otherwise need to be setting aside. The amount that can be included in the avoided capital costs category must be multiplied by the ratio of remaining useful life to total useful life of the equipment being replaced.
  - **Avoided Fees or Penalties:** Some projects may include future requirements such as waste disposal, wastewater treatment, pollution abatement, stormwater retention, etc. If these requirements are associated with environmental or energy regulations, the avoided future costs or penalties may be counted as a savings.
  - **New Revenues:** Revenues earned from solar plants, cogeneration, geothermal, wind, waste-to-energy, and certain other projects that generate renewable energy revenues, including ancillary services (such as PJM RegD market revenues) may be counted as savings.
  - **Project Financial Savings:** Where the installation of energy or water conservation measures makes a project eligible for DC PACE, and where the PACE funds can be demonstrated to displace higher cost capital resources, the resulting differential cost of capital for financing those improvements can be considered as a direct economic benefit resulting from the PACE project. These "Project Financial Savings" can be used when calculating the total stream of savings and other project benefits resulting from the PACE improvements for the purpose of sizing the PACE note and other underwriting and analysis of total project benefits. Financial savings are subject to the review and approval of the Administrator, the District, and the selected Capital Provider. The project must meet all other underwriting constraints (including LTV and DSCR criteria).
  - **Other Monetized Benefits:** Tax credits (Investment Tax Credit, accelerated depreciation), Solar Renewable Energy Credits, utility incentives and rebates, or other monetized benefits that are demonstrated to be reasonably expected to accrue to the Property Owner may be counted as savings.
- **Methodology** – Summary of the assumptions underlying the model, calculations, and the methodology used. DC PACE will accept both industry standard and proprietary energy audit analysis models.

## D) Energy Audit Worksheet

In addition to the model inputs and outputs, for energy efficiency projects, the contractor must complete the Energy Audit Worksheet that includes a summary of critical project validation metrics (baselines, existing and proposed equipment details, sources and magnitude of savings, project costs and financing sources). The values in the Energy Audit Worksheet must be supported by the energy audit, boiler light analysis, or solar feasibility analysis, as applicable.

## E) Validation Process

The technical application must be reviewed by an approved Independent Engineer. The Independent Engineer shall be a licensed Professional Engineer (or equivalent if approved by the Administrator) with energy and water efficiency experience and with no other involvement in the project. The Independent Engineer should have at least one of the following certifications:

- American Society of Heating, Refrigeration, and Air-Conditioning Engineers (ASHRAE)
  - Building Energy Assessment Professional (BEAP)
  - Building Energy Modeling Professional
- Association of Energy Engineers (AEE)
  - Certified Energy Manager (CEM)
  - Certified Measurement and Verification Professional (CMVP)
  - Certified Energy Auditor (CEA)
- Building Commissioning Association
  - Certified Commissioning Professional
- Building Performance Institute
  - Energy Auditor
- Investor Confidence Project
  - Credentialed Quality Assurance Provider

Either the Administrator or the Capital Provider will make arrangements for the validation process. The technical review will result in a validation report that confirms that the engineering and energy savings analysis, EUL estimates, construction cost estimations, ECM, and capital improvement recommendations (if applicable) are appropriate and reasonable and meet the current requirements of DC PACE. The technical review will confirm the appropriate lifetime savings resulting from the project that may be used to determine the project's conformity with DC PACE Savings-to-Investment Ratio requirements, as well as the total eligible project costs. In considering the non-technical savings such as tax benefits or new revenue stream), the independent reviewer may rely on assumptions provided by the Property Owner or Capital Provider. The technical review will also include an assessment as to whether the methodology (including appropriateness of modeling software and other tools) and assumptions used in estimates are reasonable.

This validation report may be conditioned upon receipt of the closing requirements, detailed below, in which case the Independent Engineer may issue an updated validation report prior to the release of funds.

## F) Closing Requirements

Once the Administrator and the District have approved a project, the following items will be required prior to the release of funds:

- **Disbursement Schedule**
  - If PACE financing is being used as construction financing, DC PACE will require the submission of a disbursement schedule prior to closing. The disbursement schedule should include a draw schedule that corresponds to milestones and the associated documentation that will be provided for each milestone. Typical draw requirements include the submission of invoices, permits

received, etc. The final draw shall be conditioned upon either a commissioning report or other form of post-installation verification, as well as a certificate of completion signed by the Property Owner. Draws against PACE funds shall be made in accordance with the approved draw schedule. Please see the [Template Draw Schedule](#). The Capital Provider may have additional conditions surrounding disbursements and draw schedules.

- If PACE is being used as post-construction financing, a disbursement schedule will not be required. However, a commissioning report that demonstrates the successful installation and operation of the PACE-funded portion of the project will be required prior to the release of funds. This report should indicate any deviations from the scope of work that was approved by the Administrator and the Capital Provider during the application process. The Capital Provider may have additional conditions surrounding disbursement of post-construction funds.
- **Measurement and Verification Plan** – Measurement & Verification (M&V) Plan – If the property does not already provide annual reporting through the District’s Energy Benchmarking Program, the Property Owner or their contractor will comply with one of the following:
  - Benchmark their property using Energy Star Portfolio Manager, a free online tool, and share read-only access to their Portfolio Manager account with the DC PACE Administrator and DOEE for five years following project completion. Property Owners may also use third-party software for benchmarking if it reports to Portfolio Manager. The DC SEU also maintains a list of benchmarking service providers active in the DC area. OR;
  - Conduct two years of M&V in accordance with ICMVP protocols. The M&V plan should be submitted as part of the technical application for approval to the Independent Engineer, who will confirm that it conforms with ICMVP standards. Annual reports for the two years of M&V should be provided to the DC PACE Administrator and DOEE.

For properties mandated to provide annual reporting under the District’s benchmarking law, DC PACE requires no additional M&V, but the Property Owner will share read-only access to their account with the Administrator. In all cases, the property owner may choose a more rigorous M&V approach than is required (for example, they may choose to commission two years of M&V in addition to benchmarking). The PACE Capital Provider may impose additional requirements for M&V.

- **Contractor Qualifications** – All subcontractors must submit the following items prior to project closing. The PACE Capital Provider may have additional requirements for contractor due diligence.
  - Signed construction contracts for work to be performed
  - Licensing and certification information (if not covered in the construction contract)
  - Proof of insurance, with property owner listed as additional insured (if not covered in the construction contract)
  - Evidence of bonding capacity, if required by the Capital Provider and Property Owner
  - Three references for comparable work or case studies

## V) Program Fees

One-Time Fees			
Fee	Amount	Recipient	Details
Application Fee	\$250	Administrator	All projects – with Complete Application
Program Administration	1.25% (minimum \$2,500)	Administrator	All projects – at closing
Loan Sourcing and Project Development Fee	0.75%	Administrator	Waived if the Property Owner submits a Complete Application to the Administrator (i.e., does not require term sheet solicitation or lender consent support).
Recording Fee	\$31.50	Recorder of Deeds	All projects – At closing

**Transaction Fees:** In addition to the program fees outlined above, the property owner may also be required to pay lender’s origination, transaction, and legal fees, along with costs for the technical validation by an Independent Engineer.

**Capitalization of Fees:** All program fees may be capitalized into the PACE financing and paid at closing.

Permanent Servicing Fees			
Fee	Annual Amount	Recipient	Details
PACE Servicing (Administrator)	0.15% of original principal	Administrator	All projects
PACE Servicing (District)	0.05% of original principal	District	All projects
Paying Agent Fee	\$400 (fixed) per year (\$200 payment per semi-annual bill)	Paying Agent	All projects

## VI) Participating in the DC PACE Program

### A) Contractors and Service Providers

If you are a contractor, energy service company, engineering or consulting firm, or expert in mechanical systems, solar installation, architecture or design, DC PACE can help you meet your client’s needs.

Contractors can register with DC PACE to help manage energy retrofit projects according to PACE underwriting standards, and support DC PACE financing applications. Registered contractors are listed on our website, where we direct property owners and developers looking for contractors. In addition, registered contractors may request co-branded DC PACE marketing materials to share with clients, listing them as a registered contractor of DC PACE.

To become a DC PACE Registered Contractor, applicants must:

- Be in good standing with regard to licensing applicable to the trades proposed; qualified to do business in DC; hold any other necessary permits, certificates, registrations, and approvals.
- Fill out the [DC PACE Contractor Registration](#) form and submit supporting documentation, including three references or case studies.

- Attend a contractor training within six months of registration. Regular DC PACE contractor trainings are held quarterly. Contractors may also contact the Administrator to schedule individual trainings for their company.

## **B) Capital Providers**

Banks and other investors can originate private financing into clean energy projects secured by a DC PACE assessment and collection on real estate tax bills by the District’s Office of Tax and Revenue. PACE assessments offer a highly secure asset backed instrument for guaranteeing stable yields to investors in clean energy projects. PACE assessments are used to fund projects that produce annual energy and other savings for the building owner in excess of the annual cost of the special assessment; in most cases providing excess cash flow to the investor.

Because PACE financing is attached to the building (not the building owner), and can be amortized for up to 20 years, PACE greatly improves project-level economics for the property owner, reduces risk for investors, and increases demand for financing of clean energy projects within regional markets. Primary mortgage lenders and other investors can also utilize PACE to leverage additional capital investment into properties that need energy upgrades.

DC PACE is continually expanding the roster of Registered Capital Providers. Any lender must be registered with DC PACE in order to fund projects in the District, in addition, Capital Providers are eligible to receive indicative terms from the Administrator on particular projects, and will be listed on the DC PACE website. To become a qualified Capital Provider, applicants must:

- Execute the DC PACE Standard Offer Agreement with the Administrator
- Submit a Capital Provider Registration Form

Please contact the Administrator if you are interested in becoming a Registered Capital Provider.

## **VII) Frequently Asked Questions**

### **Q: Can I use DC PACE for new construction projects?**

A: DC PACE allows for the use of PACE financing to fund energy and water saving improvements and related building upgrades in new construction and substantial rehabilitation projects. For substantial rehabilitation projects, the Administrator allows building owners to index baseline energy use to an appropriately rigorous, site-specific baseline demonstrated in a transparent energy model provided by the building owner’s engineering or design firm and approved by the Administrator. For new construction projects, the contractor may model a baseline that would conform at minimum with ASHRAE 90.1 – 2007 standards. The contractor or property owner may also choose to model a baseline in accordance with current or expected DC building code.

### **Q: Is DC PACE compatible with incentives and rebates from the DC Sustainable Energy Utility (DC SEU) and other utility incentive programs?**

A: Yes, DC PACE is compatible with all utility incentive programs and applicants are encouraged to take advantage of as many rebates and subsidies as possible. The Administrator can help connect property owners to SEU resources. NOTE: The Administrator is not liable for any loss of or change to a rebate or tax credit.

In most circumstances, DC PACE is compatible with the following financing structures and programs:



1. Solar Incentives: property owners may retain all rights to any available Investment Tax Credits (ITCs) and Solar Renewable Energy Certificates (“SRECs”) for qualifying renewable energy projects. 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.
2. Weatherization Assistance Program funds.
3. Federal, State, or Utility Rebates: All available federal, state, or utility rebates that are assignable to the property or an eligible contractor are compatible with DC PACE financing.
4. Power Purchase Agreements: DC PACE financing may include a Power Purchase Agreement (PPA) or similar third-party ownership financing structure for solar energy or other clean energy installation, or may provide financing for a prepayment of such a PPA. The Administrator may require the review and approval of any PPA documentation to ensure it conforms to DC PACE requirements.
5. Tax-Exempt PACE: DC PACE can accommodate both taxable and tax-exempt funds to finance PACE-secured building improvements.
6. Tax Credit and Bond Financing: PACE may be used on properties financed with Low Income Housing Tax Credits, New Markets Tax Credits, or other related forms of financing, and may be used in conjunction with other DC bonding programs such as the Industrial Revenue Bond Program.

**Q: Can I start construction on a project before closing on PACE financing?**

A: Yes. Interested applicants are encouraged to seek approval from the program Administrator and close on PACE financing before starting construction. At minimum, the Property Owner should submit a Preliminary Application and receive a Letter of Preliminary Eligibility prior to beginning construction on the PACE project (or PACE-eligible project components, if PACE is to be part of a larger project). Construction may then proceed in parallel with the remainder of the PACE approval process. On a case by case basis, DC PACE may also approve new applications for projects that have already begun construction. However, property owners are advised that until an application has been submitted and approved, there is no guarantee that the project will be approved. In addition, prior to closing, there is no guarantee that a Capital Provider will provide the PACE funds.

**Q: Can I use DC PACE to refinance an energy project that is already complete?**

A: Yes, PACE may be used to refinance PACE-qualifying projects under certain circumstances. Guidance for determining PACE eligibility, qualifying investments, and calculating the Savings-to-Investment ratio will all be established on a project by project basis. Please contact the Administrator early in the project development process to discuss any PACE funding for refinancing projects.

**Q: I lease my property through a long-term ground lease. Am I eligible to apply for PACE financing?**

The lessee of a property that is leased through a long-term ground lease, including a ground lease for a property that is owned by the District or another public entity, is eligible for PACE financing and will be treated as the property owner for PACE underwriting purposes if the following conditions are met:

- The term of the PACE financing does not exceed the remaining term of the ground lease, and
- There are no terms and conditions in the ground lease that would prevent the property owner from taking on a voluntary special assessment or otherwise participate in DC PACE.

**Q: Are buildings owned by religious organizations eligible for DC PACE?**

PACE financing is available to all eligible building owners in the District regardless of whether the building is owned by a religious institution. DC PACE financing is available for qualifying physical improvements to the buildings of a religious institution on the same basis as for the financing of improvements to the buildings of other organizations within the District. Religious institutions are eligible to participate in District programs, including DC PACE, that are generally available to the public.

## Appendix A: DC PACE Preliminary Application

### Applicant Primary Contact

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Name:

Email:

Phone:

I am a:  Building Owner  Property Manager  Contractor/Service Provider  Other:

### Property Ownership

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Property Owner Legal Name(s) (as they appear on property title):

Ownership Type:

Corporation

Limited Liability

Company

Partnership

Trust

510(c)(3)

Individual(s)

Joint Tenants

Common Property (Not  
in Trust)

Other:

Business SIC Code (required for rebated application):

Tax Identification # (required for rebate application):

### Property Physical Address

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Street:

City:

State:

Zip:

DC Property ID: Square:

Suffix:

Lot:

### Property Profile

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Type:

Office

Multifamily

Retail

Hotel

Education

House of Worship

Other:

General condition:

Building square feet:

Number of units:

**Financial Information**

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Do you have a Primary mortgage / lien?

- Mortgage Lender Name:
- Mortgage Closing Date:
- Principal Outstanding:
- Monthly Payment:
- Interest rate (%): (fixed or variable):
- Term of Mortgage (years):
- Amortization Schedule (years):
- Balloon date and size (if applicable):

Do you have any other *debt on the property?* (If so, please provide details):

What is the estimated property value?

Appraisal or  Assessment      Value: \_\_\_\_\_ Year: \_\_\_\_\_

Tenancy:  Owner occupied /  Leased: Single-Tenant /  Leased: Multi-tenant

- Number of Tenants:
- Vacancy Rate:

Property Net Operating Income (Op Revenue - OpEx):

Is the property current on all property taxes and mortgage?

Are there any outstanding tax of financial liens or notices of defaults?

**Project Information**

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Total project cost:

Planned renovation date:

	Annual Spend	Anticipated Annual Savings	Anticipated Annual Energy Savings	Utility Account # (Optional)	Master / Sub Metered
Electricity	\$	\$	Kwh		
Natural Gas	\$	\$	Therms		
Water	\$	\$	Gallons		

Who pays the utility bill(s)?

Have you completed an energy audit? If yes, what level of audit?

**Project description:** Please describe the types of improvements planned for this project. If available please include a table of measures with costs and savings estimates.

**APPLICANT SIGNATURE:**

Title:

Date:

## Appendix B: DC PACE Full Application

# DC PACE Full Application

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### Property Owner Information

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Property Address:

Property Owner Legal Name:

Property Ownership Type (Individual, LLC, 501(c)(3), etc.):

Contact Name:

Title:

Contact Email:

Contact Phone:

Property Owner Address (if different from Property Address):

### Property Information

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Property Type / Use:

Year of Construction:

Condition of Property:

Number of Units:

Tenancy (Leased, Owner-Occupied, Mixed):

Building Square Feet:

### Property Financials

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Property Value:

Has there been a tax delinquency on the property in the past five years, or since acquired by current ownership? If yes, please explain.

Has the property owner declared bankruptcy in the past five years? If yes, please explain.

Please attach as many of the following documents as possible. Additional documents or information may be requested after initial review.

- Most recent property appraisal or value statement
- Three years of audited financials
- Year-to-date / interim financials
- Operating pro forma, including projected cap ex reserves
- Rent roll, if applicable, or other information supporting property income

### Existing Debt

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Is there currently existing (or will there be at the time of closing) debt secured by a first lien on the property? If yes, please provide the following:

Lender Name:

Original Principal:

Date of Financing:

Outstanding Principal:

Monthly Payment:

Interest Rate:

Rate Type (Fixed, Adjusting):

Term:

Amortization:

Lender Contact:

Lender Contact Email:

Lender Contact Phone:

Has there been a default on the primary mortgage / debt in the past 5 years? If yes, please explain.

Is there currently (or will there be at the time of closing) other debt secured by an encumbrance on the property? If yes, please provide the information above for any additional debt in a separate document.

Are there any other liens, deeds, or encumbrances on the property? If yes, please explain.

Please attach the following for any debt secured by the property:

- Most recent mortgage / loan statement

### **Project Information**

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Who pays the property utility bills? (Owner, tenants)

Estimated Project Cost:

Expected Measures:

Project Start Date:

Contractor(s):

Contractor Contact Name:

Contractor Contact Email:

Contractor Contact Phone:

Please attach as many of the following as possible. Alternatively, the DC PACE program can work with your contractor to collect these items:

- Project budget / schedule of values
- Energy audit, solar feasibility study, or boiler lite worksheet (please contact the program administrator if you are unsure which requirement applies)
- DC PACE Energy Audit Worksheet (template available online)
- Minimum 12 months of utility bills, 24 months preferred

- M&V Plan covering commissioning and two years post-installation
- Supporting materials, such as selected bids, equipment spec sheets, plans, etc.

**Applicant Representations**

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By submitting this application, applicant certifies that:

The above and attached information is true and correct to the best of their knowledge.

Property Owner has clear title to the real property and the authority to enter into the agreements necessary for PACE financing.

The Program Administrator is authorized to share basic property and project information with capital providers in order to solicit indicative terms.

The Program Administrator is authorized to work with the Property Owner in engaging with existing lenders in order to secure lender consent.

Signature: \_\_\_\_\_

Date:

Name:

Title:

## Appendix C: Project Approval Checklist

As applicable, the following items must be included in a Full Application:

1. The project application fee of \$250.
2. Title search of property seeking financing, to be commissioned by the PACE capital provider, within 60 days of closing.
3. Appraisal or market study conducted within the last three years, **if needed**, to demonstrate that the project meets the DC PACE underwriting criteria.
4. A complete technical application as described in the Section IV of the Program Guidelines.
5. A validation report signed by an approved Independent Engineer, listing the Energy Conversation Measures (“ECMs”) demonstrating that the energy project was evaluated consistent with the standards outlined in the Program Guidelines.
6. A disclosure of risk form signed by the Property Owner (see template in Appendix D).
7. If applicable, a lender consent form signed by any mortgage holders.
8. Most recent mortgage statement.
9. A valid and signed term sheet with the PACE Capital Provider.
10. Agreement to Program Terms (see template in Appendix E).
11. Property financials, as listed below, OR an affidavit signed by the Capital Provider affirming that they have assessed the Property Owner’s ability to cover their debt service in a manner consistent with a commercial mortgage. The affidavit shall also provide the DSCR (pre-retrofit and estimated post-retrofit), as well as the Loan-to-Value and PACE-to-Value ratios. In all cases, the District and the Administrator reserve the right to request original financial documents, including:
  - Three years of audited financial data;
  - Year to date introductory financials, if available;
  - Operating pro forma;
  - Rent roll, if available;
  - Most recent mortgage statement.
12. Board resolution and organizational documents of the Property Owner.



## Appendix D: Risk Disclosure Form

### DC PACE Disclosures of Risks

As a Property Owner participating in the DC PACE Program, you should consider carefully the risks associated with accepting PACE financing and the Special Assessment on your property. These risks include, but are not limited to, the following:

- 1) Special Assessments are secured by and attached to the real property. Upon closing, the PACE Assessment Memorandum will be recorded and the property will be subject to a Special Assessment. A lien for unpaid installments of the Special Assessment, including penalties and interest, shall attach to the Property in the same manner and with the same priority and collection procedures as a lien for delinquent real property taxes under Title 47 of the District of Columbia Official Code. The result could ultimately be a tax sale if the delinquent payments are not made.
- 2) Neither the Program Administrator nor the District is your lender. The Administrator's role in this transaction is to administer the DC PACE Program and ensure that projects meet all of the applicable eligibility requirements.
- 3) The Property Owner has been made aware of the interest rate and any prepayment penalties associated with the PACE financing, including any fees charged by the Administrator, the District, and the District's Paying Agent.
- 4) The Property Owner is aware of the risks associated with variable interest rate financing, if applicable.
- 5) An Independent Engineer has reviewed the project costs and estimated savings to confirm that they are reasonable. However, that review is limited to a reasonable professional judgment based on the information made available and various assumptions. The Property Owner is aware that neither the Independent Engineer, the Administrator, nor the District guarantees energy savings.
- 6) The energy efficiency and renewable energy measures proposed to be installed on the property may not perform to specification. They may break down or underperform due to technical malfunction or improper installation. Project success often depends on selecting parties capable of installing and managing projects and structuring contracts that provide appropriate protection against these construction and operational risks. The Administrator recommends Property Owners have their installation and servicing contracts reviewed by competent legal counsel and engineering consultants prior to execution.
- 7) The Program will require that contractors meet certain minimum requirements, however, neither the Administrator nor the District: (1) endorses the workmanship of any contractor; nor (2) guarantees, warranties, or in any way represents or assumes liability for any work proposed or carried out by a contractor. Additionally, the Administrator is not responsible for assuring the design, engineering, and construction of the project is proper or complies with any particular laws, regulations, codes, licensing, certification and permit requirements, or industry standards. The

Administrator does not make any representations of any kind regarding the results to be achieved by the project or the adequacy or safety of such measures.

- 8) Completed projects require ongoing maintenance to meet projected savings and sustain equipment performance. Such maintenance could be complex, costly, and/or be beyond the capabilities of “in-house” staff, requiring external expertise or specialized services over the life of the measures.
- 9) Fluctuations in energy or water prices may increase or decrease the savings associated with your project. Your project’s estimated savings are based on assumptions about the future price of electricity and fuels.
- 10) Changes in property occupancy may increase or decrease the savings associated with your project. Your project’s estimated savings are based on assumptions about the future occupancy and uses of your property.
- 11) Changes to federal or local policies and incentives may impact the economic benefits of your project. Such policies may include governmental initiatives, laws, and regulations designed to reduce energy usage, encourage the use of clean energy or encourage the investment in and the use of sustainable infrastructure, utility rebates, and renewable energy credits. Incentives provided by the Federal government may include tax credits, tax deductions, bonus depreciation as well as federal grants and loan guarantees. You may be depending on these policies and incentives to help defray the costs associated with, and to finance, your project. Government regulations also impact the terms of third-party financing provided to support these projects. If any of these government policies, incentives or regulations are adversely amended, delayed, eliminated, or reduced, the economics of your project may be harmed.

Now, therefore:

Property Owner hereby acknowledges the above described DC PACE disclosure of risks by and through its duly authorized undersigned representative.

Property Owner hereby disclaims, releases and forever discharges the Administrator and the District from any and all actions, causes of actions, claims and demands for, upon, or by reason of any damage, loss, or injury, which hereafter may be sustained by Property Owner for participating in the DC PACE Program.

Property Owner:

\_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## Appendix E: Agreement to Program Terms Template



[Property]  
**Agreement to Program Terms**  
 [DATE]

Thank you for providing DC PACE with the opportunity to provide [Property] with a credit facility of \$XX through a Property Assessed Clean Energy (“PACE”) Assessment. The following is a summary of the program requirements for the credit facility which is made pursuant to the authority of the District of Columbia Code, Title 47, Chapter 8 (the “Statute”).

This is neither a commitment to lend nor a guarantee of approval by DC PACE but describes proposed terms for discussion purposes. This document is a Program Agreement with DC PACE and is not the term sheet for your PACE financing. Please see the term sheet presented by your Capital Provider for additional terms and conditions. You must sign both documents for the Administrator to move forward with review and approval of your PACE application.

This document does not purport to summarize all terms, conditions, representations, warranties and other provisions that may be contained in the PACE financing documentation. In the event that the Property Owner accepts this Agreement to Program Terms but ultimately declines any financing offered to it pursuant to this Agreement to Program Terms, Property Owner agrees to reimburse the Program Administrator for any and all third-party expenses incurred in connection with the Program Administrator’s application review process, such as for commissioning an Independent Engineer’s review of your technical application.

**Property Details:**

<b>Property Name:</b>	[Name] (the “Property”)
<b>Location:</b>	[Address]
<b>Property ID</b>	[District of Columbia Office of Tax and Revenue Square and Lot]
<b>Property Owner:</b>	[Name and Address]

**PACE Financing Terms:**

<b>PACE Administrator for the District of Columbia (“PACE Administrator”):</b>	Urban-Energy Advisors, LLC d/b/a “Urban Ingenuity”
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<b>PACE FUNDS:</b>	PACE funds shall be provided for approved costs including to (a) finance clean energy, water conservation, energy efficiency, and other related retrofits to the Property and (b) pay costs of obtaining and closing that credit facility, subject to the capital provider’s approval. Repayment is made by the Property Owner through a Special Tax Assessment on the property (the “Special Assessment”) that will be collected with the real estate taxes.
<b>Special Assessment Amount:</b>	\$XX
<b>PACE Capital Provider</b>	[Bank Name and Address]
<b>PACE Administration Fee:</b>	Property owner agrees to pay the PACE Administration fee, which will be 2.00% of the Special Assessment, payable to the PACE Administrator at closing. This fee may be capitalized into the PACE financing or paid directly at the time of closing.
<b>Other Closing Fees:</b>	Property owner agrees to pay any additional closing costs incurred by the Program Administrator, including but not limited to costs of the technical review by the Independent Engineer, legal costs, and the costs of recording the Special Assessment.
<b>Annual PACE Program Fee:</b>	The annual program servicing and administration fees will be 0.20% of the original principal, of which 0.15% is due to the PACE Administrator and 0.05% is due to the District. These fees will be added to the semi-annual PACE payment.
<b>Annual Paying Agent Fee:</b>	\$400 per year (\$200 per semi-annual payment) shall be due to the District’s Paying Agent. These fees will be added to the semi-annual PACE payment.
<b>Ongoing M&amp;V:</b>	The property owner agrees to comply with DC PACE ongoing measurement and verification requirements as described in the Program Guidelines.

**Additional PACE Financing Terms and Conditions:**

<b>Special Assessment:</b>	The PACE financing will be secured by a Special Assessment on the property.
<b>Payment Mechanics:</b>	The Property Owner will pay the Special Assessment to the District of Columbia tax collector semiannually no later than March 31 and September 15 of each year; the same due dates for semiannual ad valorem property taxes.
<b>Penalties for Failure to Make Timely PACE Payments:</b>	A lien for unpaid installments of the Special Assessment, including penalties and interest, shall attach to the Property in the same manner and with the same priority and collection procedures as a lien for delinquent real property taxes under Title 47 of the District of Columbia Official Code. Special Assessment liens shall be in priority immediately junior to property tax liens for delinquent property taxes but senior to all other liens and subject to assignment under District delinquent tax lien policy for Special Assessments. The Special Assessment will not be accelerated in the event of delinquency.

<p><b>Property Owner Covenants:</b></p>	<ul style="list-style-type: none"> <li>• Pay all liabilities when due</li> <li>• Notify the PACE Administrator of any litigation that will have a material adverse effect to the Project of the financial condition of the Property Owner</li> <li>• Pay all Special Assessments and property taxes when due</li> <li>• Maintain its existence at all times</li> <li>• Comply with all applicable laws at all times</li> <li>• Any other covenants as specified by the PACE Capital Provider</li> </ul>
<p><b>Conditions Precedent to Placement of the Notes</b></p>	<ul style="list-style-type: none"> <li>• Receipt of Complete Application as established in the Program Guidelines, including satisfactory documentation demonstrating that the property meets programmatic loan-to-value, PACE-to-value, and DSCR requirements</li> <li>• Receipt of additional Closing Requirements as outlined in the Program Guidelines</li> <li>• Approval of the imposition of the Special Assessment by the Board of Directors of the Property Owner, if applicable</li> <li>• Approval and execution of the PACE Closing Documents as outlined in the Program Guidelines</li> <li>• Other conditions as specified by the PACE Administrator or the PACE Capital Provider</li> </ul>
<p><b>Lender Consent:</b></p>	<p>All mortgage lenders must consent to the Special Assessment.</p>

If the terms and conditions described above are acceptable, please so indicate by signing this agreement.

Sincerely,

\_\_\_\_\_  
 Bracken Hendricks  
 CEO, Urban Ingenuity  
 DC PACE Program Administrator

**ACCEPTED.**

**Property Owner:**

\_\_\_\_\_

By:

On behalf of: