

**MULTIFAMILY SOLAR FUNDING PILOT, Phase I**  
**PROGRAM GUIDELINES**  
**New Jersey Housing and Mortgage Finance Agency**  
**July 2010**

<p><b>Program Overview</b></p>	<p>The Multifamily Solar Funding Pilot (Solar Loan) is an American Recovery and Reinvestment Act program. Solar Loan provides a 0% loan to eligible HMFA multifamily building owners for the installation of solar photovoltaic (PV) renewable energy systems on building roofs. The Applicant must agree to extend affordability controls on any income-restricted units for an additional 15 years beyond any existing HMFA required income restriction, or as required by HMFA new financing.</p> <p>Rents paid by tenants shall not increase as a result of this program.</p> <p>Prior to any engineering services, the Applicant must submit a certified Letter of Intent to the HMFA indicating the approximate system size and associated project costs as soon as possible. The final system size and project costs submitted in the Solar Loan Pilot application may not reflect a difference of more than 20% of the size and costs stated in this preliminary Letter of Intent. <u>Otherwise the application will not be considered for funding.</u> The Letter of Intent is mandatory for participation in the program.</p> <p><i>The purpose of this letter is to monitor remaining available funds for interested applicants. Funding is given to those applicants able to achieve an HMFA Board approved funding commitment on a first-come first-served basis. Those applications still in progress (who have submitted the Letter of Intent) will be alerted to available funding levels as monies are committed.</i></p> <p>Funds are awarded on a first come, first served basis as projects (a) satisfy the Agency's Document Checklist for a funding commitment and (b) receive an HMFA Board Approved Commitment.</p> <p>Tie Breaker- In the event there are two or more projects are competing for the remainder of the funds, the Applicant requesting the lesser loan amount per watt will be awarded the funds based on availability.</p>
<p><b>Eligible Applicants</b></p>	<p>Eligible Applicants must meet the following requirements:</p> <ol style="list-style-type: none"> <li>(1) Own a multifamily building (5 units or more) with an existing primary permanent mortgage (First Mortgage) with HMFA or has a rental housing project to be constructed or renovated with an HMFA primary mortgage (First Mortgage);</li> <li>(2) Certify that the Applicant has no outstanding state or federal tax liens;</li> <li>(3) Be prepared to pass final inspections of the solar PV system within (1) 6 months for projects that have an existing primary permanent mortgage with HMFA. (2) 12 months for projects that are applying for a new primary permanent mortgage with HMFA. (3) within the timeframe needed to meet ARRA federal and state funding deadlines, December 31, 2011.</li> </ol> <p><b>**No more than two projects shall be awarded from the same entity. Entity will include LLC, developer, general partner, managing member, etc.**</b></p> <p>An application for the Solar Loan will not be considered or approved if the Applicant, any of its principals, any entity controlled by the Applicant, any affiliates or any guarantor of an Applicant's obligations:</p> <ul style="list-style-type: none"> <li>• Is in default or in violation of any obligation to HMFA.</li> <li>• Has been more than 60 days delinquent on any loan with HMFA in the past year or has</li> </ul>

	<p>been issued a notice of default or regulatory violation in the last six (6) months, even if there is an approved payment or workout plan is in place and in good standing.</p> <ul style="list-style-type: none"> <li>Was the owner of a HMFA financed property upon which HMFA filed a foreclosure complaint and obtained a judgment in foreclosure.</li> </ul>
<p><b>Eligible Property</b></p>	<p>Eligible buildings must meet the following requirements:</p> <ol style="list-style-type: none"> <li>Roof is structurally sound, has no leaks and is less than 10 years old;</li> <li>The solar array cannot invalidate the roof warrantee;</li> <li>Have sufficient space to accommodate and install equipment on the property and at least 20 kW of solar panels on the roof;</li> <li>Have at least 20 kW of common area electric loads – excluding exterior site lighting;</li> <li>Will install at least 20 kW of solar renewable energy;</li> <li>Must be either ENERGY STAR certified, have participated in a State/Utility energy efficiency program in the last 10 years, or have implemented energy efficiency improvements within the last 10 years, with at least a 10% reduction in energy usage;</li> <li>Have no outstanding health and safety issues;</li> <li>Up-to-date on HMFA project reporting requirements;</li> </ol> <p>**Properties participating in other HMFA ARRA programs such as Weatherization Assistance Program (WAP) or the Multifamily Energy Efficiency Improvement Pilot (MEEIP) are not eligible.**</p> <p>**No more than two projects shall be awarded from the same municipality.**</p>
<p><b>Solar Fund Terms and Repayment</b></p>	<ul style="list-style-type: none"> <li>The solar loan is subject to standard HMFA Multifamily financing guidelines. Once a Solar Funding commitment letter is issued, the applicant will have 30 days to close on funding, and will begin solar installation within 30 days of the Agency closing on the solar loan. The Applicant must assign Solar Renewable Energy Certificates (SREC) to HMFA for 15 years, as repayment. The loan shall be based on expected SREC production for 15 years at a maximum of \$400 an SREC.</li> <li>In order to produce SRECS, Applicant must register in either of the following NJ Clean Energy Programs: the Renewable Energy Incentive Program for the SREC Registration Program. Both are available on the following website: <a href="http://www.njcleanenergy.com">www.njcleanenergy.com</a>.</li> <li>Expected SREC production shall be calculated using the free, online PV Watts tool developed by the National Renewable Energy Laboratory found at: <a href="http://rredc.nrel.gov/solar/codes_algs/PVWATTS/version1/">http://rredc.nrel.gov/solar/codes_algs/PVWATTS/version1/</a>. The anticipated SREC production will be based on a .77 depreciation rate (DRATE).</li> <li>The maximum amount of the Solar Funding Pilot Loan, Federal ITC and NJ Clean Energy Program Incentives shall not be greater than the total cost to install a solar PV system. If the project costs are greater than the loan and incentive programs, the Applicant is responsible for identifying other funding sources.</li> </ul>
<p><b>Leveraging</b></p>	<p>Eligible Applicants shall apply for the Federal Business Energy Investment Tax Credit/Renewable Energy Grants (<a href="http://www.dsireusa.org/incentives/incentive.cfm?Incentive_Code=US02F&amp;re=1&amp;ee=0">http://www.dsireusa.org/incentives/incentive.cfm?Incentive_Code=US02F&amp;re=1&amp;ee=0</a>).</p> <p>For systems under 50 kW, eligible Applicants shall apply through the NJ Clean Energy Renewable Energy Incentive Program (<a href="http://www.njcleanenergy.com">http://www.njcleanenergy.com</a>).</p>

	<p>Use of any surplus R&amp;R funds must be approved by HMFA Property Management. Surplus R&amp;R funds may be used for the solar installation and initial engineering costs.</p>
<p><b>Eligible and Ineligible Expenses of Solar Funds</b></p>	<p><b>Eligible Expenses:</b></p> <ul style="list-style-type: none"> <li>• Engineering costs including preparation of bid specification, and solar installation documents, and solar installation oversight;</li> <li>• Solar PV installation costs including all material, labor, necessary permits, builder’s risk insurance, and surety bonds;</li> <li>• Structural work needed to support a solar PV system;</li> <li>• The cost of a maintenance contract for the 15 year term of funding OR a set-aside of funds for annual maintenance and future inverter replacement;</li> <li>• Monitoring system, which includes the interface (hardware) and data collection/connectivity (software). When the solar PV system is not functioning properly, notification must be provided.</li> </ul> <p><b>Ineligible Expenses (Including, but not limited to):</b></p> <ul style="list-style-type: none"> <li>• Roof replacement;</li> <li>• Structural upgrades not associated specifically with solar PV installation;</li> <li>• Enhancement to building insurance policy to cover solar array;</li> <li>• Interest payments on other sources of financing;</li> <li>• Developer and consultant fees (e.g. additional property management fees, property manager’s accountant fees, legal fees, etc.)</li> </ul>
<p><b>Bidding</b></p>	<p>Before submitting the application, Applicant shall seek at least one (1) engineering proposal <u>and</u> three (3) competitive bids for the solar installation and shall follow established HMFA Property Management procedures for upgrades to existing buildings. HMFA will review all bids and assist with the selection of engineer and solar installer.</p>
<p><b>Program Funding, Monitoring and Reporting Requirements</b></p>	<p>HMFA will monitor funds received and expended for the Multifamily Solar Funding Pilot. Applicant shall comply with all state and federal reporting and funding requirements, including Davis Bacon Wage Determination <a href="http://www.wdol.gov/">http://www.wdol.gov/</a> . During construction, a sign shall be posted indicating that this is a Federal ARRA funded project.</p> <p>All Applicants must participate in the HMFA Energy Benchmarking project. This shall include (1) signing data release forms for all meters, utilities, and sub-utilities; (2) assisting in the gathering of utility release forms from tenants; and (3) providing building data as needed.</p>