

VILLAGE CAPITAL CORPORATION
“Green City/Blue Lake” Initiative
Effective Date: January 1, 2008

In order to advance a more sustainable Cleveland, Village Capital Corporation (VCC) has adopted a “Green City/Blue Lake” Initiative that will require all its borrowers to adhere to specific Energy Efficiency standards tied to the use of all VCC’s loan products. Those standards are:

- Demonstrate energy efficiency by meeting a Home Energy Rating System design score of 86 or better
- Install Energy Star appliances
- Install Energy Star-labeled lighting fixtures; install daylight sensors on all outdoor lighting
- Install individual or sub-metered electric meters in multifamily housing units (except zero bedroom dwelling units)

For a detailed list of each standard, please see Attachment A.

IMPLEMENTATION

The above-stated energy efficiency standards will be included in all of VCC’s Loan Agreements* as of January 1, 2008. There would be two requirements for accessing any VCC Loan Product:

1. Certification from each Borrower’s architect at each phase of the project’s evolution
 - Design Phase – must incorporate all four of the energy efficiency standards (as applicable) into any specifications for the project; and
 - Construction Phase – must reflect that the standards were adhered to and items installed per the approved specifications.

NOTE: VCC shall rely solely upon the architect’s certification as verification of compliance with VCC’s requirements.

2. Retainage requirements on all Construction and Construction/Permanent Loans
 - Ten percent (10%) of the total loan amount shall be withheld (incrementally at 10% of each draw) until an architect’s certification attests that the energy efficiency standards were adhered to.

* In the case of predevelopment loans and acquisition loans (which typically close prior to finalizing design drawings), VCC would interpret the inclusion of the standards in the Loan Agreement and a borrower’s executing of the Loan Agreement to infer a borrower’s commitment to adhering to the standards as the project moves to the design phase and the construction phase.

PENALTY FOR NON-COMPLIANCE

Non-compliance would be a basis for denying future loans to a borrower.

Additional penalties would apply to a Construction Loan or Construction/Permanent Loan as follows:

- In a case where VCC’s loan is provided post the design phase, failure to incorporate these energy efficiency standards in a project’s design documents would constitute a basis for withdrawing VCC’s loan commitment.
- In the case where VCC’s loan is funded based on approved, compliant design drawings but the actual construction work does not comport to the drawings, a borrower would forfeit the ten percent (10%) retainage.

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Energy Efficiency

1.1 Efficient Energy Use (Mandatory)

Demonstrate energy efficiency by meeting Energy Star standards, achieving a Home Energy Rating System (HERS) design score of 86, exceeding ASHRAE 90.1 by 30 percent or local energy code, whichever is more stringent. If the project is a moderate rehab, demonstrate equivalent energy efficiency by implementing all cost-effective energy improvements with a 10-year or earlier payback as identified by a qualified engineer or energy auditor.

Intent

In 1992 the EPA introduced Energy Star as a voluntary labeling program designed to identify and promote energy-efficient products to reduce greenhouse gas emissions. Energy Star is an accepted standard for single-family residential new construction projects.

Energy Star-qualified homes are independently verified to be at least 30 percent more energy efficient than homes built to the 1993 national Model Energy Code, or 15 percent more efficient than state energy codes, whichever is more stringent. These savings are based on heating, cooling and hot water energy use and are typically achieved through a combination of building-envelope upgrades, high-performance windows, controlled air infiltration, upgraded heating and air conditioning systems, tight duct systems and upgraded water-heating equipment. These features contribute to improved home quality and homeowner comfort, and to lower energy demand and reduced air pollution.

The American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) Standard 90.1-1999 establishes minimum requirements for the energy-efficient design of buildings, except low-rise residential buildings. The standard is also the basis of Chapter 7 of the International Code Council’s 2001 International Energy Conservation Codes. State energy codes that may be more stringent than ASHRAE 90.1 are identified on the U.S. Department of Energy’s Building Energy Codes website, www.energycodes.gov.

A Home Energy Rating System (HERS) evaluates the energy efficiency of a home or apartment, compared with a computer-simulated reference unit of identical size and shape. The HERS rating results in a score between 0 and 100, with the reference unit assigned a score of 80. From this point, each 5 percent reduction in energy usage (compared to the reference unit) results in a one-point increase in the HERS score. Energy Star requires a unit to be significantly more energy efficient than the reference unit by setting a standard of achieving a HERS score of at least 86. HERS ratings are conducted by third-party HERS Raters.

You can also use the Builder Option Package (BOP) to determine an Energy Star-qualified new home. BOP represents a set of construction specifications for a particular climate zone, measuring performance levels for the thermal envelope, insulation, windows, orientation, HVAC system and water-heating efficiency. (The BOP divides the United States into 19 separate climate zones.)

How

- For new construction and substantial rehab, use appropriate systems, starting with passive heating and cooling, augmented by mechanical equipment. Then, do one of the following and demonstrate through appropriate verification that standards were met:
 - Select and implement one of the BOP specifications provided by Energy Star for your project location. (See www.energystar.gov/index.cfm?c=bldrs_lenders_raters.pt_BOPs.)
 - Verify the design performance of the building using professional HERS Rater to achieve at least a score of 86. To identify a Rater in your area, call the Energy Star toll-free hotline: 888.STAR.YES.
 - Exceed ASHRAE 90.1-1999 standards by 30 percent. (See www.ashrae.org or call 800.527.4723.)
- For moderate rehab projects, complete an energy analysis that starts with potential design and landscape changes to advance passive heating and cooling. With moderate rehabs, the incremental costs of achieving Energy Star standards are less predictable, although pursuing a moderate rehab presents other environment benefits. Therefore, you can conduct a customized analysis of the building's condition and make recommendations for improvements that can provide a 10-year payback in terms of operating cost savings. Here are three options:
 - Identify a qualified green architect, engineer or energy auditor to identify cost-effective energy improvements and implement those with a maximum 10-year payback. For single-family moderate-rehab programs, the analysis does not have to be performed for each home in the program pipeline. It is expected that the analysis will recommend standard measures that can be applied to all homes that are a similar building type.
 - If new construction standards can be achieved in a cost-effective manner, apply the same verification methods used for new construction.
 - For moderate rehab projects not using Energy Star standards, submit an energy improvement report and recommendations produced by a qualified professional. The report must include a building survey, analysis and energy-improvement recommendations.

1.2 Energy Star Appliances (Mandatory)

Install Energy Star appliances.

Intent

In 1992, EPA introduced Energy Star, a voluntary labeling program designed to identify and promote energy-efficient products to reduce greenhouse gas emissions. Energy Star products must meet strict energy efficiency criteria set by EPA. These products reduce utility costs and greenhouse gas emissions.

How

- Install Energy Star-labeled clothes washers, dishwashers and refrigerators. To find a listing of all Energy Star appliances, go to www.energystar.gov.

1.3 Efficient Lighting (Mandatory)

Install Energy Star-labeled lighting fixtures. Install daylight sensors on all outdoor lighting.

Intent

Energy Star-qualified lighting uses two-thirds less energy and lasts six to 10 times longer than traditional lighting. Reduced energy use lowers utility costs and greenhouse gas emissions.

Daylight sensors automatically turn off the exterior lighting when sufficient day lighting is available or lighting is otherwise not required. Proper aiming of exterior fixtures and the use of shade trees and plants help prevent unwanted glare into neighboring buildings and natural areas (light trespass) and limits disturbance of the night sky (light pollution).

How

- Install Energy Star-labeled lighting fixtures or install the Energy Star Advanced Lighting Package. To find a listing of all Energy Star lighting, go to www.energystar.gov.
- Design outdoor lighting to eliminate light trespass from the building and site and to minimize impact on nocturnal environments. Use daylight sensors on all exterior lighting. Consult the Illuminating Engineering Society of North America's *Recommended Practice Manual: Lighting for Exterior Environments*.

1.4 Electricity Meter (Mandatory)

Install individual or sub-metered electric meters in multifamily housing units (except zero-bedroom dwelling units).

Intent

Raising residents' awareness of the cost associated with electricity consumption reduces energy use.

How

- Install individual or sub-metered electric meters in multifamily housing units except for zero-bedroom units.