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Don / Henry
Sangamon County Clerk

A RESOLUTION CREATING A PACE AREA AND ESTABLISHING THE ILLINOIS FINANCE AUTHORITY PROPERTY ASSESSED CLEAN ENERGY PROGRAM FOR RECORD OWNERS OF PROPERTY THAT, FROM TIME TO TIME, MAY VOLUNTARILY REQUEST THE LEVY OF SPECIAL ASSESSMENTS TO SECURE THE FINANCING OR REFINANCING OF THEIR PACE PROJECTS; AUTHORIZING PROGRAM ADMINISTRATORS TO ACT THEREUNDER; DESIGNATING THE ILLINOIS FINANCE AUTHORITY AS THE SOLE ISSUER OF BONDS AND NOTES; AND APPROVING RELATED MATTERS

WHEREAS, Sangamon County, a duly organized and validly existing county under the Constitution and the laws of the State of Illinois (the "Governmental Unit"), is a non-home rule unit of local government of the State of Illinois, and is authorized pursuant to the Property Assessed Clean Energy Act, 50 ILCS 50/1 *et seq.*, as amended (the "PACE Act"), to create a "PACE area" (as defined in the PACE Act) and establish a "property assessed clean energy program" or "program" (as defined in the PACE Act) to facilitate access to capital used by "record owners" (as defined in the PACE Act) of "property" (as defined in the PACE Act) for the financing or refinancing of "energy projects" (as defined in the PACE Act); and

WHEREAS, the Illinois Finance Authority, a body politic and corporate duly organized and validly existing under and by virtue of the laws of the State of Illinois (the "Authority"), is authorized to issue bonds or notes in accordance with the PACE Act and pursuant to subsection (d) of Section 825-65 of the Illinois Finance Authority Act, 20 ILCS 3501/801-1 *et seq.*, to fund "PACE Projects" (as defined in the Illinois Finance Authority Act, and energy projects, which are known as "PACE Projects" herein), which bonds or notes will be secured, in part, by "assessments" (as defined in the PACE Act) levied on properties benefitted by PACE Projects as voluntarily requested by the record owners pursuant to "assessment contracts" (as defined in the PACE Act); and

WHEREAS, pursuant to Section 10 of the PACE Act, the Governmental Unit may establish a program administered by either one or more than one "program administrator" (as defined in the PACE Act) for a PACE area on behalf of or at the discretion of the Governmental Unit, and under such program, the Governmental Unit, from time to time, may assign such assessment contracts to "permitted assignees" (as defined in the PACE Act), including the Authority, without competitive bidding or the solicitation of requests for proposals or requests for qualifications to fund PACE Projects; and

WHEREAS, in order to lessen the burdens on counties and municipalities throughout Illinois that may desire to create PACE areas and establish property assessed clean energy programs, to attract "capital providers" (as defined in the PACE Act) to purchase bonds or notes issued by the Authority to fund PACE Projects throughout Illinois, and to assist record owners in the financing or refinancing of PACE Projects throughout Illinois, the Authority, pursuant to its Resolution 2022-0412-GP10, authorized the formation of Illinois C-PACE Open Market Initiative, d/b/a C-PACE Open Market Initiative, an Illinois not-for-profit corporation and

component unit of the Authority (the “C-PACE Open Market Initiative”), to administer a nonpartisan, nonpolitical property assessed clean energy program for interested “governmental units” (as defined in the PACE Act) throughout Illinois (the “Illinois Finance Authority PACE Program”) for the benefit of a statewide, open market in which the “governing body” (as defined in the PACE Act) of each governmental unit may create a PACE area and establish the Illinois Finance Authority PACE Program pursuant to the procedures provided in Section 15 of the PACE Act by the adoption of an ordinance or resolution; and

WHEREAS, as further described in the report of the Illinois Finance Authority PACE Program described below and attached hereto, the Authority shall be the sole issuer of any bonds or notes to finance or refinance PACE Projects of record owners that have applied and have been approved for such financing or refinancing under the Illinois Finance Authority PACE Program, and any such bonds or notes purchased by capital providers or any interim financing provided by a “warehouse fund” (as defined in the PACE Act) prior to the issuance of such bonds or notes shall not be general obligations of the State of Illinois or any governmental unit including the Governmental Unit; and

WHEREAS, in consideration of the Governmental Unit’s desire to avoid the need to devote the time and resources necessary to develop and implement a property assessed clean energy program with the features of the Illinois Finance Authority PACE Program and to otherwise be required to issue bonds or notes to finance or refinance PACE Projects and incur the related compliance or accounting obligations, the Governmental Unit now desires to create a PACE area, to establish the Illinois Finance Authority PACE Program as a property assessed clean energy program for such PACE area that shall be administered on behalf of the Governmental Unit at all times by the C-PACE Open Market Initiative, to facilitate access to capital from more than one program administrator, and to benefit from the Authority issuing all bonds and notes to finance or refinance PACE Projects approved under the Illinois Finance Authority PACE Program in a statewide, open market; and

WHEREAS, in furtherance of its participation in such statewide, open market, the Governmental Unit now desires to delegate to the C-PACE Open Market Initiative, among other things, the discretion to consider and approve capital providers or their affiliates as participants in the Illinois Finance Authority PACE Program to act as program administrators on a non-exclusive basis, for their own account and for the account of others of their choosing, to originate financings or refinancings of PACE Projects, to purchase or arrange for the purchases of the related bonds or notes issued by the Authority, to provide or arrange any related interim financing by a warehouse fund prior to the issuance of such bonds or notes, and to provide or arrange for the administration and servicing of such PACE Projects; and

NOW, THEREFORE, BE IT ORDAINED BY SANGAMON COUNTY, ILLINOIS, AS FOLLOWS:

Section 1. Incorporation of the Recitals. The Governmental Unit hereby finds that all of the statements contained in the recitals to this Ordinance are true, correct and complete and are hereby incorporated by reference thereto and are made a part hereof.

Section 2. Authorization of More than One Program Administrator.

a. The Governmental Unit hereby authorizes the Illinois C-PACE Open Market Initiative to act as a program administrator (the "PACE Area Administrator") for the Illinois Finance Authority PACE Program on behalf of the Governmental Unit on the terms and pursuant to the conditions set forth in this Ordinance, including the report of the Illinois Finance Authority PACE Program, as provided herein and therein.

b. The duties of the PACE Area Administrator are to act as a liaison to the Governmental Unit and its residents, taxpayers, and other interested persons as further described in the report of the Illinois Finance Authority PACE Program, to prescribe the terms and conditions whereby the Governmental Unit can facilitate access to capital from more than one program administrator, and to consider and approve capital providers or their affiliates to act as program administrators for one or more PACE Projects (each, a "PACE Project Administrator") under the Illinois Finance Authority PACE Program at the discretion of the Governmental Unit, which discretion is hereby delegated by the Governmental Unit to the PACE Area Administrator. Each PACE Project Administrator shall be authorized, on a non-exclusive basis, for its own account and for the account of others of its choosing, to originate financings or refinancings of PACE Projects, to purchase or arrange for the purchases of the related bonds or notes issued by the Authority, to provide or arrange any related interim financing by a warehouse fund prior to the issuance of such bonds or notes, and to provide or arrange for the administration and servicing of such PACE Projects.

c. Upon approval by the PACE Area Administrator to act as a program administrator for the Illinois Finance Authority PACE Program, each PACE Project Administrator shall be deemed to have agreed to perform the duties and obligations set forth in this Ordinance, including the duties and obligations set forth in the report of the Illinois Finance Authority PACE Program, as provided herein and therein, and any other duties or obligations necessary, appropriate, or desirable in connection with the Illinois Finance Authority PACE Program as the PACE Area Administrator may prescribe from time to time, as such duties and obligations are allocated among the Governmental Unit, the PACE Area Administrator, and the PACE Project Administrator, in each case, at the PACE Project Administrator's sole cost and expense.

d. The Illinois Finance Authority PACE Program shall terminate at such time as the Authority ceases to issue bonds or notes to fund PACE Projects, as evidenced by the notice hereinafter provided. The PACE Area Administrator, as a component unit of the Authority, shall use its best efforts to provide at least sixty (60) calendar days prior written notice thereof to the Governmental Unit and provide at least thirty (30) calendar days prior written notice thereof to each PACE Project Administrator. The Governmental Unit may terminate or suspend the Illinois Finance Authority PACE Program at any time, for any reason or no reason, after giving written notice thereof to the PACE Area Administrator at least sixty (60) calendar days before the termination or suspension is to be effective. Upon receiving such written notice from the Governmental Unit, the PACE Area Administrator shall give written notice thereof to any PACE Project Administrator at least thirty (30) calendar days before the termination or suspension is to be effective. The termination or suspension of the Illinois Finance Authority PACE Program shall not relieve the PACE Area Administrator and any PACE Project Administrator of their respective obligations

incurred before such termination or suspension and that are required to be performed thereafter, all of which shall survive.

e. Without limiting the right of the PACE Area Administrator to approve, deny, terminate, or suspend any PACE Project Administrator at its discretion, the Governmental Unit reserves the right to terminate or suspend any PACE Project Administrator at any time, for any reason or no reason, after giving written notice thereof to the PACE Area Administrator at least sixty (60) calendar days before the termination or suspension is to be effective. Upon receiving such written notice from the Governmental Unit, the PACE Area Administrator shall give written notice thereof to the PACE Project Administrator at least thirty (30) calendar days before the termination or suspension is to be effective. The termination or suspension of any PACE Project Administrator shall not relieve such PACE Project Administrator of its obligations incurred before such termination or suspension and that are required to be performed thereafter, all of which shall survive.

Section 3. Designation of Illinois Finance Authority as Sole Issuer of Bonds or Notes; Creation of the PACE Area; Report of the Illinois Finance Authority PACE Program.

a. The Governmental Unit hereby finds that the financing or refinancing of PACE Projects in a statewide, open market is a valid public purpose that furthers essential public and governmental purposes, including, but not limited to, reduced energy costs and greenhouse gas emissions, enhanced water quality and conservation, economic stimulation and development, improved property resiliency and valuation, and increased employment.

b. The Governmental Unit intends to facilitate access to capital from more than one PACE Project Administrator as approved by the PACE Area Administrator and other capital providers or their designated transferees as approved by the Authority to provide funds for PACE Projects, which will be repaid by assessments on the properties benefitted with the agreement of the record owners.

c. The Governmental Unit hereby designates the Authority to be the sole issuer of any bonds or notes under the Illinois Finance Authority PACE Program and hereby authorizes the Authority to assist record owners with any interim financing to be provided by a warehouse fund prior to the issuance of such bonds or notes under the Illinois Finance Authority PACE Program, in each case to fund PACE Projects approved under the Illinois Finance Authority PACE Program. The PACE Area Administrator may act as the PACE Project Administrator for one or more PACE Projects funded by interim financing provided by a warehouse fund established by the Governmental Unit or the Authority, if applicable, under the Illinois Finance Authority PACE Program.

d. The Governmental Unit hereby creates a PACE area for the Illinois Finance Authority PACE Program that shall be coterminous with the entire corporate limits of the Governmental Unit (the "PACE Area") for the benefit of a statewide, open market.

e. The C-PACE Open Market Initiative has prepared the report of the Illinois Finance Authority PACE Program attached hereto as Exhibit A (as amended,

supplemented, or modified from time to time by the PACE Area Administrator, the “Program Report”) in conformity with the PACE Act, setting forth, *inter alia*, the types of PACE Projects that may be financed or refinanced, or interim financed pursuant to this Ordinance. The Program Report is hereby incorporated by reference thereto and made a part hereof. The Governmental Unit hereby approves the Program Report. The Program Report shall be made available for public inspection by the Governmental Unit in a manner deemed prudent in its sole discretion and shall be posted and reasonably made available at all times by the Illinois Finance Authority PACE Program on the following website: www.IFApace.com. The PACE Area Administrator shall provide the Governmental Unit at least thirty (30) calendar days prior written notice of the effective date of any amendment, supplement, or modification of the Program Report.

Section 4. No Public Hearing; Program Established. The Governmental Unit hereby finds that no public hearing shall be required in connection with the adoption or amendment of the Illinois Finance Authority PACE Program and hereby establishes the Illinois Finance Authority PACE Program in accordance with this Ordinance and the Program Report.

Section 5. Assessment Contracts and Assignment Agreements.

a. The Governmental Unit shall impose an assessment only pursuant to the terms of a recorded assessment contract with the record owner of the property to be assessed, the form of which shall be in substantially the form of Appendix A to the Program Report (each, an “Assessment Contract”). The form of Assessment Contract enclosed as Appendix A to the Program Report is hereby approved by the Governmental Unit.

b. The Governmental Unit shall assign Assessment Contracts pursuant to certain assignment agreements with the Authority as collateral for the financing or refinancing, or interim financing, of PACE Projects, the form of which shall be in substantially the form of Appendix B to the Program Report (each, an “Assignment Agreement”). The form of Assignment Agreement enclosed as Appendix B to the Program Report is hereby approved by the Governmental Unit.

c. The Chairman or County Administrator, or any person duly appointed by the Governmental Unit to serve in such offices on an interim basis or otherwise authorized to act as provided by an ordinance or resolution of the Governmental Unit, acting singly (each, an “Authorized Officer”), is hereby authorized to execute and deliver Assessment Contracts with record owners meeting the requirements set forth in the PACE Act and the Program Report and execute and deliver related Assignment Agreements with the Authority, in each case with such changes, deletions, and insertions as shall be approved by an Authorized Officer and such other supporting documents and instruments as may be necessary or appropriate to carry out and comply with the provisions of each Assessment Contract and Assignment Agreement. The execution and delivery of such Assessment Contracts, Assignment Agreements, other contracts, agreements, documents, and instruments shall be conclusive evidence of the approval of the forms, terms and provisions thereof, including, without limitation, any changes, deletions, or insertions to the forms of documents now before the Governmental Unit, by an Authorized Officer executing the same and by the Governmental Unit.

d. Prior to the PACE Area Administrator submitting an Assessment Contract to an Authorized Officer for execution, the applicable PACE Project Administrator shall (i) make the determination that the property to be assessed is entirely within the PACE Area, (ii) have received evidence of all the enumerated items in Section 25(c) of the PACE Act and Section 25(d) of the PACE Act, and (iii) deliver to the PACE Area Administrator a written certification as to the matters set forth in clauses (i) and (ii) and a representation and warranty that such PACE Project Administrator as a program administrator of the Illinois Finance Authority PACE Program is in compliance with its duties and obligations hereunder (the "Compliance Certificate"). The Compliance Certificate shall be in form and substance acceptable to the PACE Area Administrator. The Governmental Unit authorizes and directs the PACE Area Administrator to receive each Compliance Certificate on its behalf from PACE Project Administrators and, upon receipt, to deliver each Compliance Certificate to the Governmental Unit.

e. Without limiting the generality of the first sentence of Section 5(d), if applicable, the Governmental Unit authorizes and directs the applicable PACE Project Administrator to receive on its behalf the copies or other proof of the notices to, and written consents of, any mortgage holders, pursuant to Section 25(d) of the PACE Act, for the record owner to enter into the assessment contract, and to deliver copies thereof to the PACE Area Administrator together with the Compliance Certificate for further delivery to the Governmental Unit.

f. Upon execution and delivery of any Assessment Contract and related Assignment Agreement, and prior to any funding, the applicable PACE Project Administrator shall file or cause to be filed such Assessment Contract and such Assignment Agreement for recording with the Office of the County Clerk of Sangamon County.

g. Without limiting the generality of the first sentence of Section 5(d), if applicable, the Governmental Unit authorizes and directs that the applicable PACE Project Administrator receive on its behalf the written confirmation from the record owner, pursuant to Section 25(c)(8) of the PACE Act, that the PACE Project was properly acquired, constructed, installed, or modified and is operating as intended (the "Completion Certificate"), and to deliver a copy thereof to the Governmental Unit, and, if requested, to the PACE Area Administrator. The failure of the PACE Project Administrator to deliver a copy of any Completion Certificate to the Governmental Unit or the PACE Area Administrator shall not be deemed to impair the related Assessment Contract or any funding thereunder.

Section 6. Additional Actions. Each Authorized Officer is hereby authorized without any further approval to:

a. negotiate, execute, and deliver such other supporting documents as may be necessary or appropriate to implement the Illinois Finance Authority PACE Program; and

b. ratify amendments, modifications, or supplements to the Program Report from time to time as requested by the PACE Area Administrator to the extent such amendments,

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modifications, or supplements comply with the parameters and requirements set forth in the PACE Act and this Ordinance.

Section 7. Governmental Unit Fees. In consideration of its execution and delivery of any Assessment Contracts, Assignment Agreements, or other supporting documents as may be necessary or appropriate to implement the Illinois Finance Authority PACE Program, any record owner entering into an Assessment Contract with the Governmental Unit shall pay or cause to be paid a fee of one hundred fifty dollars (\$150) to the Governmental Unit, payable on or before the closing date of any related financing or refinancing, or interim financing, that has been approved under the Illinois Finance Authority PACE Program, unless such fee is otherwise waived by the Governmental Unit on a case-by-case basis. The applicable PACE Project Administrator shall be responsible for collecting and remitting such fee to the Governmental Unit.

Section 8. Reservation of Rights for Other Programs. The Governmental Unit reserves the right to:

a. create PACE areas and establish related property assessed clean energy programs other than the PACE Area and the Illinois Finance Authority PACE Program to be administered by other for-profit entities or not-for-profit entities or the Governmental Unit, as determined by the governing body, pursuant to one or more separate ordinances or resolutions to be considered or previously considered and approved or adopted, as the case may be, at one or more meetings of the Governmental Unit; and

b. issue "PACE Bonds" (as defined in the PACE Act) to fund PACE Projects pursuant to the rights and powers vested in the Governmental Unit by the PACE Act if such PACE Projects have been approved under any property assessed clean energy program established by the Governmental Unit other than the Illinois Finance Authority PACE Program.

Section 9. Reserved.*

Section 10. Amendments. The Governmental Unit acknowledges the importance of uniformity and consistency of the Illinois Finance Authority PACE Program in a statewide, open market. Therefore, the Governmental Unit agrees to consider in good faith any amendment, supplement, or modification of this Ordinance or the Program Report proposed by the PACE Area Administrator or the Authority and not to make any amendment, supplement, or modification to this Ordinance or the Program Report proposed by the Governmental Unit unless and until approved in writing by the PACE Area Administrator or the Authority, which approvals will not be unreasonably withheld.

Section 11. Enactment. The provisions of this Ordinance are hereby declared to be separable and if any section, phrase, or provision shall for any reason be declared by a court of competent jurisdiction to be invalid or unenforceable, such declaration shall not affect the

* The Governmental Unit may add requirements to the program by setting forth such requirement in Section 10, subject to the approval of the Illinois Finance Authority. Please contact the Illinois Finance Authority in advance to discuss any proposed requirements.

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validity or enforceability of the remainder of the sections, phrases, and provisions hereof. All ordinances, orders, and resolutions and parts thereof in conflict herewith are to the extent of such conflict hereby repealed, and this Ordinance shall take effect and be in full force immediately upon its adoption. No provision of the Sangamon County Municipal Code or violation of any provision of the Sangamon County Municipal Code shall be deemed to impair the validity of this Ordinance or the instruments authorized by this Ordinance or to impair the security for or payment of the instruments authorized by this Ordinance; provided further, however, that the foregoing shall not be deemed to affect the availability of any other remedy or penalty for any violation of any provision of the Sangamon County Municipal Code.

This Ordinance shall become effective upon its passage and approval.

Approved by the _____ Finance Committee _____ July 11, 2023 _____

_____, Chairman

Chairman, Sangamon County Board

ATTEST:

County Clerk

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EXHIBIT A

Report of the Illinois Finance Authority PACE Program (including Appendix A and B)

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Will Hobert, Chair
Chris Meister, Executive Director

Illinois Finance Authority PACE Program

The Illinois Finance Authority (“IFA”) has standardized Commercial Property Assessed Clean Energy (“CPACE”) financing in Illinois through the nonpartisan, nonpolitical Illinois Finance Authority PACE Program (“IFA PACE Program”). Any interested county or municipality that desires to create a PACE area can establish the IFA PACE Program by adopting the enabling PACE Ordinance and related Program Report provided by IFA. These documents are posted on IFApace.com for counties or municipalities to download.

At no cost to the county or municipality, the IFA PACE Program makes CPACE financing available to any eligible record owner of eligible property that voluntarily requests the levy of a special assessment to secure the financing or refinancing of a PACE Project (see below) pursuant to an assessment contract. CPACE financing to fund PACE Projects occurs through the issuance of conduit debt obligations (such as bonds or notes), similar to other special assessment financing programs in Illinois. Counties and municipalities can avoid using their own time and resources to issue bonds or notes by establishing the IFA PACE Program to fund PACE Projects. IFA has statewide authorization to issue bonds and notes to fund PACE Projects in any PACE area.

The IFA PACE Program is administered by a component unit of IFA known as the C-PACE Open Market Initiative, which is a 501(c)(3) organization. Referred to as the PACE Area Administrator, it is the independent, neutral program administrator of the IFA PACE Program, and provides a fair and competitive, statewide open market. The PACE Area Administrator approves capital providers or their affiliates as participants in the IFA PACE Program to act as program administrators on a non-exclusive basis, with their own resources, and within appropriate guidelines. Referred to as PACE Project Administrators, such program administrators originate financings or refinancings of PACE Projects, purchase or arrange for the purchases of the related bonds or notes issued by IFA, provide or arrange any related interim financing by a warehouse fund prior to the issuance of such bonds or notes, and provide or arrange for the administration and servicing of such PACE Projects. Record owners are afforded the opportunity to work with PACE Project Administrators of their own choosing.

For each PACE Project approved under the IFA PACE Program, the assessment contract and related assignment agreement (assigning the assessment contract to IFA) will be in substantially the forms appended to the Program Report. Such collateral documents require execution and delivery by an authorized officer of the applicable county or municipality for each PACE Project approved under the IFA PACE Program. In connection with each request, IFA will provide a summary of the PACE Project and its estimated annual impact regarding any energy savings, energy utility bill savings, water savings, and water bill savings. The PACE Project Administrator will further provide a Compliance Certificate for the PACE Project as required by the enabling PACE Ordinance and Program Report. Any financing or refinancing, or interim financing, of a PACE Project approved under the IFA PACE Program must be accompanied by a written opinion from a nationally recognized municipal bond counsel in form and substance acceptable to IFA as the issuer of the bonds or notes.

About PACE Projects

C-PACE financing can be used by owners and developers to finance or refinance eligible improvements affixed to any privately-owned commercial, industrial, non-residential agricultural, or multi-family (of 5 or more units) property or any property owned by a not-for-profit in connection with renovations of existing buildings and new construction, in each case up to 25% of the value of the property. Eligible improvements generally include fixtures, products, systems, equipment, devices, and materials intended for *energy efficiency, renewable*

For additional information:
Please visit IFApace.com or contact Brad Fletcher at bffletcher@il-fa.com



Will Hobert, Chair
Chris Meister, Executive Director

energy, resiliency, or water use; electric vehicle charging stations are eligible improvements too. C-PACE financing is non-recourse to the record owner and assignable upon transfer of the property. C-PACE financing does not accelerate upon a default (payment or otherwise), permits terms of up to 40 years, and allows financing of up to 100% of all project and closing costs.

Additional Features of the IFA PACE Program and Key Benefits to Counties and Municipalities

- The exhibit and schedules included with each assessment contract will reflect the actual terms and conditions governing that particular financing or refinancing and assessment as agreed between the record owner and the PACE Project Administrator. The form of the body of the assessment contract and the form of the assignment agreement are standardized and will not be subject to change. *Counties and municipalities have no legal obligation to execute and deliver any assessment contract if they are not satisfied, may suspend or terminate the PACE Area Administrator or any PACE Project Administrator for any reason, and may terminate the IFA PACE Program at any time.*
- Each county or municipality establishing the IFA PACE Program will have no risk or liability or operational responsibilities. The record owner provides an indemnity under the assessment contract in connection with its PACE Project. Each PACE Project Administrator provides an indemnity with respect to its activities and is required to maintain insurance policies under which each participating county and municipality is an additional insured. *PACE Projects approved under the IFA PACE Program do not require billing and collecting by the county or municipality or any use of public funds, similar to the structure of commercial real estate mortgages.*
- The simplification of a single conduit issuer (such as IFA) with statewide authorization to fund PACE Projects attracts capital providers that desire a standardized, efficient, and affordable way to facilitate access to capital for record owners and appeals to record owners seeking lower legal and financing costs to existing alternatives. *Counties and municipalities establishing the IFA PACE Program benefit by not incurring any related conduit debt compliance or accounting obligations.*
- If a PACE Project is in a municipality (i.e., city, village, or incorporated town) where neither the county nor the municipality has established the IFA PACE Program, IFA has a policy preference to discuss adoption of the enabling PACE Ordinance with the same set of stakeholders that are responsible for the applicable property’s zoning, construction permitting, and building code enforcement. If a PACE Project is in a municipality where the county and municipality have both established the IFA PACE Program, IFA will defer to the preferences of record owners on a case-by-case basis given the open market architecture of the IFA PACE Program. *Under the enabling PACE Ordinance, each county and municipality establishing the IFA PACE Program retains its right to establish other property assessed clean energy programs and to issue its own bonds or notes under such other programs.*

About Illinois Finance Authority

IFA is a body politic and corporate created under the laws of the State of Illinois. IFA was created under the Illinois Finance Authority Act, 20 ILCS 3501/801-1 *et seq.*, as amended (the “IFA Act”), which consolidated seven of the State’s previously existing financing authorities. Pursuant to the IFA Act, IFA is governed by up to 15 Members appointed by the Governor with the advice and consent of the Senate. The Members receive no compensation for the performance of their duties but are entitled to reimbursement for all necessary expenses

For additional information:
Please visit IFApace.com or contact Brad Fletcher at bfletcher@il-fa.com

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Will Hobert, Chair
Chris Meister, Executive Director

incurred in connection with the performance of such duties. Meetings of IFA are conducted in accordance with the Open Meetings Act, 5 ILCS 120/1 *et seq.*, as amended (the "Open Meetings Act").

About C-PACE Open Market Initiative

C-PACE Open Market Initiative is an Illinois not-for-profit corporation and component unit of IFA. Members of IFA also serve as the Board of Directors of C-PACE Open Market Initiative. The Directors receive no compensation for the performance of their duties but are entitled to reimbursement for all necessary expenses incurred in connection with the performance of such duties. Meetings of C-PACE Open Market Initiative are conducted in accordance with the Open Meetings Act.



*Property Assessed Clean Energy
Program Report*

MADE POSSIBLE IN PART BY DSS ADVISORS LLC



AND THE GENEROUS SUPPORT OF THE FOLLOWING:

ENVIRONMENTAL LAW & POLICY CENTER



KATTEN MUCHIN ROSENMAN LLP



SMART ENERGY DESIGN ASSISTANCE CENTER
AT THE UNIVERSITY OF ILLINOIS, URBANA-CHAMPAIGN



FOLEY & LARDNER LLP



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Preface to the Program Report by the Illinois Finance Authority

Commercial Property Assessed Clean Energy ("C-PACE") financing can be used by owners and developers of commercial properties to finance or refinance eligible improvements in connection with renovations of existing buildings and new construction, in each case up to 25% of the value of the property. Eligible improvements generally include fixtures, products, systems, equipment, devices, and materials intended for energy efficiency, renewable energy, resiliency, or water use; electric vehicle charging stations are eligible improvements too. C-PACE financing has features that make it very attractive as an alternative or a supplement to existing types of commercial real estate financing. For example, C-PACE financing is non-recourse to the record owner and assignable upon transfer of the property. While these features may be found in conduit mortgage loans included in commercial mortgage-backed securities (often referred to as CMBS loans or CMBS financing), they are not common in either traditional bank financing or mezzanine financing, which is often used to finance significant new commercial real estate construction or deep energy retrofit projects. C-PACE financing also has attractive features that are not available with any other type of commercial real estate financing. C-PACE financing does not accelerate upon a default (payment or otherwise), permits terms of up to 40 years, and allows financing of up to 100% of all project and closing costs. All capitalized terms in this Preface not otherwise defined have the meanings set forth in the accompanying Program Report.

C-PACE financing is secured by a voluntary special assessment on the benefited property that is represented by an assessment contract between the record owner and the Governmental Unit. The special assessment is senior to all mortgages and other private liens on such property and is *pari passu* to other real estate taxes and assessments. The lien priority and preferences of C-PACE financing is the primary reason why capital providers are willing to provide up to 100% financing that is non-recourse, non-callable in the event of default, and assignable in the event of a transfer of the property. Interest on C-PACE financing is usually fixed throughout the term, although that is not required by the PACE Act, and is generally well below the rates charged by mezzanine lenders and equipment lenders. Under the PACE Act, the assessment contract must be recorded, and serves as collateral for C-PACE financing, similar to a recorded commercial mortgage serving as collateral for a commercial real estate loan. C-PACE financing to fund PACE Projects occurs through the issuance of conduit debt obligations (such as bonds or notes), similar to other special assessment financing programs in Illinois.

Despite these attractive features and plentiful amounts of capital from providers enthusiastic to consider environmental, social, and governance factors alongside financial factors in the investment decision-making process, the use of C-PACE financing in Illinois has been limited to date. Counties and municipalities have informed the Illinois Finance Authority of their desire to avoid the need to devote the time and resources necessary to develop and implement a property assessed clean energy program with the features of the Illinois Finance Authority PACE Program and to otherwise be required to issue bonds or notes to finance or refinance PACE Projects and incur the related compliance or accounting obligations. Additionally, capital providers have informed the Authority of their desire for a fair and competitive, statewide open market sponsored by an independent, neutral program administrator. Finally, record owners have informed the Authority of their desire to minimize the program administration and governmental fees associated with C-PACE financing.

The Authority has observed that the lack of market activity is also because C-PACE financing under existing property assessed clean energy programs is not uniform throughout Illinois, and under such programs, capital providers cannot administer and service their own C-PACE financing originations. Moreover, under existing property assessed clean energy programs, program administrators are tasked with roles and responsibilities that are typically performed by capital providers, such as marketing, establishing processes for contractors, statutory underwriting, processing applications, billing and collecting, and enforcement. This structure, a vestige of the C-PACE financing market's earliest days, is both cumbersome and costly. Similar to commercial mortgage lenders, the Authority believes capital providers in the C-PACE financing market should instead facilitate access to capital by performing these activities for their own account or others of their choosing, with their own resources, and within appropriate guidelines.

In consideration of these factors, the Illinois Finance Authority has standardized the structure, implementation, and delivery of C-PACE financing in Illinois to lessen the burdens on counties and municipalities throughout Illinois that may desire to create PACE areas and establish property assessed clean energy programs, to attract capital providers to purchase bonds or notes issued by the Authority to fund PACE Projects throughout Illinois, and to assist record owners in the financing or refinancing of PACE Projects throughout Illinois. The nonpartisan, nonpolitical Illinois Finance Authority PACE Program intends to achieve these objectives in the PACE Area created by the Governmental Unit by applying the structure of the commercial mortgage industry to better align the roles and responsibilities of the C-PACE financing market. The Illinois Finance Authority PACE Program allows capital providers to not only originate C-PACE financings in a statewide, open market sponsored by an independent, neutral program administrator but also allows capital providers to administer and service PACE Projects directly or through affiliates in the capacity of PACE Project Administrators, for their own account or others of their choosing. Record owners will benefit from lower C-PACE financing costs amid the resulting fairness and competition among capital providers, at no cost to the Governmental Unit.

All parties will also benefit from the Authority's vast experience in the issuance of conduit debt obligations, which each year amounts to billions of dollars of long-term investment in voluntary projects of private sector borrowers in Illinois. As a statewide conduit issuer of bonds and notes, the Authority's uniform C-PACE financing documents for all PACE Projects will simplify due diligence in the asset-backed securities market for capital providers in contrast to a fragmented market of numerous county and municipal issuers of conduit debt obligations throughout Illinois. Accordingly, the Authority elected to leverage these competitive advantages to achieve vertical integration and economies of scale in local markets such as the PACE Area by forming the C-PACE Open Market Initiative, an Illinois not-for-profit corporation and component unit of the Authority, to offer an independent, neutral program administrator in the capacity of PACE Area Administrator to the Governmental Unit and its residents and taxpayers, at no cost to the Governmental Unit.

The goals of the C-PACE Open Market Initiative are to spur investment in energy efficiency and water conservation, and to stimulate growth of renewable energy and resilient building design throughout Illinois.

- Brad R. Fletcher

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- A. Form of Assessment Contract
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Introduction

This Program Report was approved by the Governmental Unit by adopting the ordinance to which this Program Report accompanies (the "PACE Ordinance"). All terms defined in the PACE Ordinance will, for all purposes of this Program Report, have the meanings specified therein unless the context otherwise requires.

The PACE Ordinance meets the requirements of Section 15 of the PACE Act. The Governmental Unit created the PACE Area to make financing and refinancing opportunities available to any record owner of property that voluntarily requests the levy of a special assessment to secure the financing or refinancing of a proposed PACE Project pursuant to an assessment contract.

Purpose of the Program Report

As required by the PACE Act, the Program Report contains a basic summary of the Illinois Finance Authority PACE Program and its statewide, open market architecture. The Illinois Finance Authority PACE Program is sometimes referred to, or marketed as, the "IFA PACE Program" or the "IFA Municipal Choice PACE Program" or the "IFA County Advantage PACE Program").

Program Description

The Governmental Unit is establishing the nonpartisan, nonpolitical IFA PACE Program to accelerate private investment in PACE Projects affixed to existing and newly constructed commercial, industrial, non-residential agricultural, and multi-family (5 or more units) properties in the PACE Area, at no cost to the Governmental Unit. The IFA PACE Program is distinctly different from any existing property assessed clean energy program that has been launched by a county or municipality in Illinois. Under the IFA PACE Program, the Governmental Unit is participating in a statewide, open market of PACE areas administered by the C-PACE Open Market Initiative as the independent, neutral program administrator, referred to as the PACE Area Administrator. The PACE Area Administrator, among other things, acts as a liaison to the Governmental Unit and its residents, taxpayers, and other interested persons. Record owners, meanwhile, are afforded the opportunity to work with capital providers of their own choosing as PACE Project Administrators and to assemble the team of professionals desired for any potential PACE Project (e.g., architects, engineers, energy auditors, appraisers, contractors, bond counsel, trustees, title companies).

The IFA PACE Program is appealing because its neutrality among capital providers avoids the conflicts of interest that exist under certain other existing property assessed clean energy programs throughout Illinois. Under the IFA PACE Program, capital providers or their affiliates will administer and service their respective PACE Projects as PACE Project Administrators. This feature eliminates the additional program administration fees otherwise charged by affiliates of competing capital providers or other third parties that have secured or will endeavor to secure an exclusive role as program administrator for a county or municipality. As a result, the IFA PACE Program incentivizes competition to lower costs and improve service for record owners.

Additionally, in their capacity as PACE Project Administrators, capital providers can fairly manage existing and future relationships with record owners without the risks associated with sharing business intelligence with affiliates of competing capital providers that have secured an exclusive role as program administrator for a county or municipality.

The statewide, open market architecture of the IFA PACE Program also offers what no other property assessed clean energy program in Illinois can offer: uniformity; the financing or refinancing of all PACE Projects regardless of location is undertaken by a single issuer of bonds or notes. The Illinois Finance Authority has statewide authorization to issue bonds and notes to fund PACE Projects located in any PACE area, thus doing away with any issuance of bonds or notes by the Governmental Unit. In turn, the Governmental Unit and its fellow counties and municipalities enjoy the benefit of not incurring any related conduit debt compliance or accounting obligations. The simplification of a single conduit issuer with statewide authorization to fund PACE Projects attracts capital providers that desire a standardized, efficient, and affordable way to facilitate access to capital for record owners, further reducing legal and financing costs for such record owners.

Under the IFA PACE Program, the Governmental Unit always retains its prerogatives as set forth in the PACE Act and the PACE Ordinance, including the right to establish other property assessed clean energy programs and to issue its own bonds or notes under such other programs.

Program Roles and Responsibilities

The roles and responsibilities of the Governmental Unit, the Authority, the PACE Area Administrator, the PACE Project Administrators, and the capital providers under the IFA PACE Program are described below.

Governmental Unit

Pursuant to the PACE Ordinance, any one of the Authorized Officers set forth therein, acting singly, on behalf of the Governmental Unit, may execute and deliver an assessment contract and related assignment agreement assigning the assessment contract to the Authority as collateral for the financing or refinancing, or interim financing, of a PACE Project.

Illinois Finance Authority

Pursuant to the PACE Ordinance, the Governmental Unit has designated the Authority as the sole conduit issuer of bonds and notes to fund any PACE Projects approved under the IFA PACE Program.

The Authority is a body politic and corporate created under the laws of the State of Illinois (the "State"). The Authority was created under the Illinois Finance Authority Act, 20 ILCS 3501/801-1 *et seq.*, as amended from time to time (the "Authority Act"), which consolidated seven of the State's previously existing financing authorities. Under the Authority Act, the Authority may not have outstanding at any time bonds or notes for PACE Projects in an aggregate principal amount exceeding \$2,000,000,000 (subject to change, from time to time, by acts of the State Legislature). Pursuant to the Authority Act, the Authority is governed by up to

15 Members appointed by the Governor with the advice and consent of the State Senate. The Members receive no compensation for the performance of their duties but are entitled to reimbursement for all necessary expenses incurred in connection with the performance of such duties.

Members of the Authority consider and approve capital providers to purchase or arrange for the purchases of bonds or notes issued by the Authority, and to provide or arrange any related interim financing by warehouse funds prior to the issuance of such bonds or notes, in each case to fund PACE Projects approved under the IFA PACE Program.

Meetings of the Authority are conducted in accordance with the Open Meetings Act, 5 ILCS 120/1 *et seq.*, as amended (the "Open Meetings Act"). An annual schedule of regular meetings of the Authority and all notices, agenda, meeting details, and minutes of each regular or special meeting are posted on the following website: www.il-fa.com/public-access.

PACE Area Administrator

Pursuant to the PACE Ordinance, the Governmental Unit has authorized the PACE Area Administrator to act as the program administrator to manage day-to-day operations of the IFA PACE Program. The PACE Area Administrator will be responsible for administering and implementing the IFA PACE Program, including: processing requests for financing or refinancing, or interim financing; coordinating among record owners, counsel, the Authority, capital providers, PACE Project Administrators, contractors, and other professionals; interfacing with the Governmental Unit on the execution and delivery of assessment contracts and assignment agreements; and reporting and arranging for any required reporting to the Governmental Unit that may be requested from time to time. The PACE Area Administrator will also act as liaison to the community of the Governmental Unit and will conduct, alone or in conjunction with others, appropriate marketing and education activities.

Pursuant to the PACE Ordinance, the Governmental Unit also has delegated to the PACE Area Administrator the discretion to determine which capital providers (or their affiliates) will be authorized to act as PACE Project Administrators. The eligibility requirements of, and the terms and conditions for, a capital provider (or its affiliate) to participate in the IFA PACE Program as a PACE Project Administrator are set forth in a standard form of Master Participation Agreement. The Master Participation Agreement is supplemented by the IFA PACE Program Handbook of Supplemental Information and Requirements (as amended, supplemented, or modified from time to time, the "PACE Handbook"). The PACE Area Administrator considers and approves PACE Project Administrators, and, if approved, the PACE Area Administrator and the PACE Project Administrator enter into the Master Participation Agreement. The form of Master Participation Agreement is available from the PACE Area Administrator upon request. The PACE Handbook is posted on the following website: www.IFApace.com.

Members of the Authority also serve as the Board of Directors of the PACE Area Administrator. The Directors receive no compensation for the performance of their duties but are entitled to reimbursement for all necessary expenses incurred in connection with the performance of such

duties. Meetings of the PACE Area Administrator are conducted in accordance with the Open Meetings Act. All notices, agenda, meeting details, and minutes of each regular or special meeting are posted on the following website: www.il-fa.com/public-access.

PACE Project Administrators

Pursuant to the PACE Ordinance, and upon approval of the PACE Area Administrator, PACE Project Administrators are authorized to act as program administrators of the IFA PACE Program. PACE Project Administrators are authorized, on a non-exclusive basis, for their own account and for the account of others of their choosing, to originate financings or refinancings of PACE Projects, to purchase or arrange for the purchases of the related bonds or notes issued by the Authority, and to provide or arrange any related interim financing by warehouse funds prior to the issuance of such bonds or notes. They are also responsible for providing or arranging for the provision of administrative and servicing responsibilities of such PACE Projects.

Upon entering into the Master Participation Agreement with the PACE Area Administrator, each PACE Project Administrator agrees to perform at its sole cost and expense the duties and obligations set forth in the PACE Ordinance, including this Program Report, the Master Participation Agreement, and the PACE Handbook, as provided herein and therein.

The Governmental Unit reserves the right to terminate or suspend any PACE Project Administrator at any time, for any reason or no reason, after giving written notice thereof to the PACE Area Administrator at least 60 calendar days before the termination or suspension is to be effective. Upon receiving such written notice from the Governmental Unit, the PACE Area Administrator shall give written notice thereof to the PACE Project Administrator at least 30 calendar days before the termination or suspension is to become effective.

Capital Providers

Capital providers (or their designated transferee(s)) purchase bonds or notes issued by the Authority and provide or arrange any related interim financing by warehouse funds prior to the issuance of such bonds or notes, in each case to fund PACE Projects approved under the IFA PACE Program.

Capital providers must be institutional "accredited investors" (as defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended) or "qualified institutional buyers" (as defined in Rule 144A promulgated under the Securities Act of 1933, as amended).

To be an approved capital provider of the IFA PACE Program, Members of the Authority consider and approve authorizing resolutions in meetings conducted in accordance with the Open Meetings Act. Each authorizing resolution of the Authority for the purchase of bonds or notes by a capital provider or its designated transferee(s) remains in effect for up to three years following the date of adoption to ensure efficient and timely funding of PACE Projects, consistent with market expectations. Interested capital providers should contact Authority staff.

A list of approved capital providers is posted on the following website: www.IFApace.com.

Marketing and Education

Given the statewide, open market architecture of the IFA PACE Program, it is anticipated that PACE Project Administrators will conduct marketing on behalf of the IFA PACE Program in their target markets to originate and fund PACE Projects for their own account or the account of others of their choosing. All marketing materials used by PACE Program Administrators in connection with the IFA PACE Program must acknowledge that its services are offered through, or in association with, the Governmental Unit and the Authority (and upon request by the Authority, the C-PACE Open Market Initiative).

The Authority and PACE Area Administrator endeavor to provide technical assistance with respect to the marketing of the IFA PACE Program and educating the community regarding the financing and administration of PACE Projects, as may be reasonably requested by the Governmental Unit and its residents, taxpayers, and other interested persons from time to time. The Authority has posted education materials and contact information on the following website: www.IFApace.com.

Supplemental information regarding resources available to record owners subjecting properties to the IFA PACE Program by Federal or State agencies, including without limitation, the U.S. Department of Energy, the U.S. Department of Housing and Urban Development, the U.S. Department of the Treasury, the Illinois Department of Commerce and Economic Opportunity, the Illinois Department of Natural Resources, the Illinois Environmental Protection Agency, regional councils, or economic development corporations may be published from time to time in the PACE Handbook.

Eligibility

Any financing or refinancing, or interim financing, of a PACE Project approved under the IFA PACE Program must be accompanied by a written opinion from a nationally recognized municipal bond counsel in form and substance acceptable to the Authority.

Eligible Improvements

Each type of improvement as prescribed in the PACE Act qualifies for financing or refinancing, or interim financing, under the IFA PACE Program.

Any of the following types of improvements qualify as PACE Projects under the PACE Act:

- Alternative energy improvements (i.e., electric vehicle charging stations)
- Energy efficiency improvements
- Renewable energy improvements
- Resiliency improvements
- Water use improvements

Pursuant to the PACE Act, the Governmental Unit may exercise discretion to make eligible any energy efficiency improvement, resiliency improvement, or water use improvement that is intended as a utility or other cost-savings measure but is not otherwise specifically enumerated in the PACE Act.

All eligible improvements must be affixed to an eligible property.

Eligible Properties

Each type of property as prescribed in the PACE Act qualifies for financing or refinancing, or interim financing, under the IFA PACE Program.

Any of the following types of privately-owned properties located in the PACE Area qualifies for financing or refinancing under the PACE Act:

- Commercial
- Industrial
- Non-residential agricultural
- Multi-family (of 5 or more units)
- Any property owned by a not-for-profit entity

Eligible Use of Proceeds

The amount of any financing or refinancing, or interim financing, of a PACE Project approved under the IFA PACE Program may include any and all of the following: the cost of materials and labor necessary for acquisition, construction, installation, or modification of the PACE Project, permit fees, inspection fees, application and administrative fees, financing fees, reserves, capitalized interest, costs of billing the assessment, and all other fees, costs, and expenses that may be incurred by the record owner pursuant to the acquisition, construction, installation, or modification of the PACE Project, and the costs of issuance of bonds or notes issued by the Authority on a specific or pro rata basis, as determined by the Governmental Unit, as evidenced by its execution of the assessment contract, and may also include a prepayment premium.

While records owners and PACE Project Administrators may choose any licensed contractor or contractors, each licensed contractor must sign a written acknowledgement that the applicable PACE Project Administrator will not authorize final payment to the contractor or contractors until the Governmental Unit has received the Completion Certificate from the record owner that the PACE Project was properly acquired, constructed, installed, or modified and is operating as intended; provided, however, that the contractor or contractors retain all legal rights and remedies in the event there is a disagreement with the record owner. The PACE Project Administrator is authorized to receive such Completion Certificate on behalf of the Governmental Unit. The Completion Certificate shall be in substantially the form attached to the PACE Handbook.

Quality Assurance and Antifraud

Quality assurance protocols serve to prevent improper or low-quality construction, installation, or modification of PACE Projects and protect against fraud and abuse of the IFA PACE Program.

All work requiring a license under any applicable law to acquire, construct, install, or modify a PACE Project shall be performed by a licensed contractor that has agreed to adhere to a set of

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terms and conditions through a process established by the applicable PACE Project Administrator.

Each PACE Project Administrator shall institute quality assurance protocols. Despite the presence of these protocols and procedures, responsibility for the successful operation of any PACE Project is that of the record owner and its registered professionals. None of the Governmental Unit, the Authority, the PACE Area Administrator, the PACE Project Administrator, capital provider, trustee, servicer, or any of their respective directors, managers, officers, employees, advisors, or agents shall have any liability for the acquisition, construction, installation, modification, and operation of any eligible PACE Project.

Program Underwriting Guidelines

Each PACE Project Administrator is likely to have underwriting requirements separate and apart from the underwriting guidelines prescribed by the IFA PACE Program. At a minimum, each PACE Project Administrator shall determine that a PACE Project meets the following program underwriting guidelines, in addition to those guidelines prescribed in the PACE Handbook and the PACE Act, which will be evidenced by the Compliance Certificate described hereafter. At no time will the PACE Area Administrator be a party to negotiations of any proposed financing and assessment between a record owner and the PACE Project Administrator.

Record Owners

In addition to the eligibility requirements described herein, a record owner must be current on all mortgage debt on the applicable property and the record owner must not have filed for bankruptcy in the last two years.

Properties/Assets

Pursuant to the PACE Act, the following characteristics disqualify any eligible property from participating in the IFA PACE Program:

- Any delinquent taxes, special assessments, or water or sewer charges on the property; or
- Any delinquent assessments on the property under a property assessed clean energy program; or
- Any notices of default or other evidence of property-based debt delinquency have been recorded and not cured; or
- The property is an asset in a current bankruptcy proceeding.

Each PACE Project Administrator must have further received evidence of whether there are any involuntary liens on the applicable property, including, but not limited to, construction or mechanics liens, *lis pendens* or judgments against the record owner, environmental proceedings, or eminent domain proceedings. PACE Project Administrators and capital providers (or their designated transferee(s)) have discretion to evaluate the risk, if any, such involuntary liens pose to the financing and assessment of the applicable PACE Project.

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Senior Lender Consent

Each record owner shall provide to the mortgage holders of any existing mortgages encumbering or otherwise secured by the applicable property a notice of the record owner's intent to enter into an assessment contract with the Governmental Unit, together with the maximum principal amount to be financed or refinanced and the maximum annual assessment necessary to repay that amount, along with an additional request that the mortgage holders of any existing mortgages consent to the record owner subjecting the property to the IFA PACE Program. The Governmental Unit or applicable PACE Project Administrator shall be provided with a copy or other proof of those notices and the written consent of the mortgage holder for the record owner enter into the assessment contract which acknowledges that (i) the existing mortgage or mortgages for which the consent was received will be subordinate to the assessment contract and the lien created thereby and (ii) the Governmental Unit and its permitted assignees can foreclose the property if the assessment is not paid.

Maximum Assessment Amount/Lien-to-Value

The aggregate amount that may be financed or refinanced, or interim financed, under one or more assessment contracts for any property located in the PACE Area must not exceed 25% of the value of the property as further described below under the caption "Property Valuation" and in accordance with guidelines set forth in the PACE Handbook.

Useful Life

The term of an assessment shall not exceed the useful life of the PACE Project financed or refinanced under an assessment contract. For any assessment contract financing or refinancing multiple improvements or multiple PACE Projects with varying useful lives, the term of an assessment shall not exceed the longest useful life of any singular improvement or PACE Project. The expected useful life of each improvement or PACE Project shall be determined by the PACE Project Administrator based on industry standards and manufacturers' warranties.

Repayment Periods/Maturity

Under the IFA PACE Program, the term of an assessment cannot exceed 40 years. In addition, pursuant to the Authority Act, the final maturity of any bonds or notes issued by the Authority cannot exceed 40 years.

Interest Rates

The interest rate or rates that will be charged pursuant to any assessment contract will be determined by negotiation between a record owner and the PACE Project Administrator. Interest rates are typically fixed for the term of the assessment contract. There is no prohibition under the PACE Act or the IFA PACE Program for an assessment contract to provide for a variable rate of interest.

Credit Enhancement

Bonds and notes issued by the Authority to fund PACE Projects shall never be general obligations of the Governmental Unit, the State, or the Authority but shall be secured by the payments under one or more assessment contracts on the respective, benefited properties located within the PACE Area and, if applicable, revenue sources or reserves established by the Authority (at the request of PACE Project Administrators) from proceeds of bonds or notes or other lawfully available funds. In addition, bonds or notes issued by the Authority may be secured by municipal bond insurance, letters of credit, or public or private guarantees or sureties as may be arranged from time to time by a PACE Project Administrator.

Program Application Process

For any record owner located in the PACE Area to obtain financing or refinancing, or interim financing, of a PACE Project, the IFA PACE Program requires a property valuation, an executed term sheet, an application that has been approved by the Authority, and a Compliance Certificate from the PACE Project Administrator. The PACE Act further requires an energy audit in certain circumstances.

Energy Audit

An evaluation of the existing water or energy use and a modeling of expected monetary savings are required for any proposed energy efficiency improvement, renewable energy improvement, or water use improvement, unless the water use improvement is undertaken to improve water quality. Record owners may work with PACE Project Administrators to satisfy this statutory requirement.

Smart Energy Design Assistance Center, an applied research program at the University of Illinois at Urbana-Champaign (“SEDAC”), provides technical assistance to help building managers, owners, and administrators make their facilities more energy efficient. SEDAC’s mission is to decrease the energy footprint of the state of Illinois and beyond. Record owners and PACE Project Administrators may select SEDAC to complete the evaluation and modeling of their respective PACE Project. More information is posted on the following website: www.smartenergy.illinois.edu.

Property Valuation

Each record owner must demonstrate the value of the applicable property for any prospective financing or refinancing, or interim financing, of a PACE Project. Such value may be determined by the greater of the following:

- the value of the property as determined by the office of the county assessor; or
- the value of the property as estimated in an appraisal report prepared or co-signed by a general real estate appraiser certified by the State.

Values determined by township assessors, multi-township assessors, county supervisors of assessments, boards of review, and boards of appeals are not specifically enumerated in the PACE Act as acceptable for any prospective financing or refinancing, or interim financing, of a

PACE Project. Each PACE Project Administrator may establish requirements for an acceptable appraisal report, including maximum terms of validity, in addition to those set forth above.

Capital Provider Term Sheet

Each record owner must have an executed term sheet with a capital provider. For any prospective PACE Project that lacks a commitment from a capital provider for financing or refinancing, record owners are encouraged to visit www.IFApace.com for a listing of approved capital providers and their respective contact information.

Authority Application

Capital providers that have executed a term sheet with a record owner must complete and apply to the Authority for the proposed financing or refinancing, or interim financing, of the PACE Project. Application forms are posted on the following website: www.IFApace.com.

The Authority generally processes applications within 10 business days following the submission of a completed application. Upon approval by the Authority, such application will be deemed approved by the PACE Area Administrator.

Compliance Certificate

The PACE Project Administrator must undertake the following actions prior to the PACE Area Administrator submitting an assessment contract and assignment agreement to an Authorized Officer for execution:

- i. make the determination that the property to be assessed is entirely within the PACE Area;
- ii. have received evidence of all the enumerated items in Section 25(c) of the PACE Act and Section 25(d) of the PACE Act; and
- iii. execute and deliver to the PACE Area Administrator a Compliance Certificate as to the matters set forth in clauses (i) and (ii) and a representation and warranty that such PACE Project Administrator is in compliance with its duties and obligations as a program administrator of the IFA PACE Program. The Compliance Certificate shall be in substantially the form attached to the PACE Handbook.

Upon receipt of the PACE Project Administrator's Compliance Certificate, the PACE Area Administrator will facilitate the execution and delivery of the applicable assessment contract and related assignment agreement by any one of the Authorized Officers. PACE Project Administrators are encouraged to provide the Governmental Unit a reasonable amount of time for such execution and delivery to occur prior to the scheduled closing of any financing or refinancing, or interim financing, of a PACE Project approved under the IFA PACE Program.

Forms of Assessment Contract and Assignment Agreement

Each assessment contract between the Governmental Unit and any record owner located in the PACE Area will be in substantially the form attached hereto as Appendix A. Each related assignment agreement between the Governmental Unit and the Authority assigning the

assessment contract to the Authority as collateral for any financing or refinancing, and interim financing, will be in substantially the form attached hereto as Appendix B.

The exhibit and schedules included with each assessment contract will reflect the actual terms and conditions governing that particular financing or refinancing and assessment as agreed between the record owner and the PACE Project Administrator. The form of the body of the assessment contract is standardized and will not be subject to change.

Each PACE Project Administrator will record or cause to be recorded each assessment contract and related assignment agreement with the applicable county clerk or county recorder in which the applicable property is located as a lien on such property, until the assessment, including any interest, penalty, and prepayment fee, is paid in full. The lien has the same priority as real estate property taxes and other special assessment liens.

Pursuant to each standardized assessment contract, each record owner agrees to indemnify, defend, protect, and hold harmless the participants in the IFA PACE Program, including the Governmental Unit, from and against all losses, liabilities, claims, damages (including consequential damages), penalties, fines, forfeitures, costs and expenses (including all out-of-pocket litigation costs and attorney's fees) and any demands of any nature related directly or indirectly to, or arising out of or in connection with (i) the record owner's participation in the IFA PACE Program, (ii) the assessment and the assessment obligations, (iii) the PACE Project, or (iv) any other fact, circumstance or event related to the subject matter of such assessment contract, regardless of whether such claims accrue before or after the date of its execution.

Plan of Finance

Execution and delivery of an assessment contract and related assignment agreement by an Authorized Officer and the satisfaction or waiver of all conditions is required to consummate any financing or refinancing, or interim financing, of a PACE Project approved under the IFA PACE Program.

Long-Term Financing

To fund a PACE Project with long-term financing, the Authority will issue bonds or notes to be purchased by a capital provider (or its designated transferee(s)).

With limited exceptions, each bond and note financing is structured as a direct purchase by the capital provider that originated the financing or refinancing of the related PACE Project (or PACE Projects in the case of pooled financings). Any transfer of bonds or notes is conditioned upon the receipt by the Authority of an investor letter substantially in the form approved by the Authority or with such changes thereto as are agreed upon by the Authority.

Record owners or PACE Project Administrator may also arrange for an underwriter or placement agent to facilitate the public offering or limited public offering of the Authority's bonds or notes to fund a PACE Project. Such financing structures in the capital markets can add legal costs due to the additional marketing documents that must be crafted to facilitate the sale of the bonds or notes to long-term investors.

Any proceeds of any bond or note issued by the Authority and used by a record owner to fund the acquisition, construction, installation, or modification of a PACE Project at closing must comply with the prevailing wage requirements and reporting obligations of the State (just as with any bond or note otherwise issued by a county or municipality).

Interim Financing

To fund a PACE Project with interim financing provided by a warehouse fund established by a capital provider, the Authority will assign the assessment contract to the applicable capital provider or its transferee as collateral for such interim financing for up to 36 months pursuant to a Master Warehouse Agreement. Upon re-assignment of the assessment contract, the Authority will issue bonds or notes to refinance any interim financing that has been provided by such warehouse fund.

Pursuant to the PACE Act, the Governmental Unit or the Authority may also establish a warehouse fund to assist record owners with the interim financing of one or more PACE Projects. Any proceeds of any warehouse fund established by the Governmental Unit or the Authority and used by a record owner to fund the acquisition, construction, installation, or modification of a PACE Project at closing must comply with the prevailing wage requirements and reporting obligations of the State.

Billing and Collecting

Assessments may be included in the regular property tax bills of the county in which a property is located or the Governmental Unit, the PACE Project Administrator, or third-party servicer may bill and collect the assessment amount.

Payment received by mail and postmarked on or before any required due date is not delinquent. From and after the due date of any installment of an assessment, an additional rate of interest of 1 1/2% per month may be imposed with respect to the delinquent amount of such installment, which shall be payable to the applicable capital provider, PACE Project Administrator, or third-party servicer as set forth in the applicable bill.

IFA Municipal Choice PACE Program

For assessments imposed by municipalities, it is anticipated that each capital provider or PACE Project Administrator will directly bill and collect assessments to record owners or indirectly bill and collect assessments through a third-party servicer to record owners. As a result, capital providers keep 100% of any default interest and always have the legal option to pursue a default remedy through either the regular county tax sale process or through an accelerated judicial foreclosure under the State's Municipal Code.

If an assessment becomes delinquent during any year, the applicable capital provider, PACE Project Administrator, or third-party servicer shall, on or before the date in such year required by the county in which the PACE area is located, make a report in writing to the general office of the county in which the applicable property subject to the assessment is situated and authorized by the general revenue laws of this State to apply for judgment and sell lands for taxes due the

county and the State, of the assessments or installments thereof the applicable capital provider, PACE Project Administrator, or third-party servicer has billed for and not received as required under the applicable bill, including any interest or penalties that may be due as set forth in the applicable assessment contract.

Such report shall be certified by the applicable capital provider, PACE Project Administrator, or third-party servicer and shall include statements that (i) the report contains true and correct list of delinquent assessments that the capital provider, PACE Project Administrator, or third-party servicer has not received as required by the applicable bill and (ii) an itemization of the amount of the delinquent assessment, including interest and penalties, if applicable. The report of the applicable capital provider, PACE Project Administrator, or third-party servicer, when so made, shall be prima facie evidence that all requirements of the law in relation to making the report have been complied with and that the assessments or the matured installments thereof, and the interest thereon, and the interest accrued on installments not yet matured, mentioned in the report, are due and unpaid.

Upon proper filing of such report, at the direction of the applicable capital provider, PACE Project Administrator, or third-party servicer, the PACE Act mandates that the county collector shall enforce the collection of the assessments in the manner provided by law.

IFA County Advantage PACE Program

For assessments imposed by counties, please refer to the PACE Handbook for any billing and collecting preferences as the county collector of the county in which the applicable property is located may elect to bill and collect assessments with the regular property tax bills of the county.

User Fees

At no time will the PACE Area Administrator be a party to negotiations of any proposed financing and assessment fees between a record owner and the PACE Project Administrator. The fees and costs described below, which may be added to the assessment, are anticipated to be in excess of the closing costs and the costs of issuance of the bonds or notes issued by the Authority, including, without limitation, bond counsel fees, PACE Project Administrator fees, capital provider fees, reserves, trustee fees, title insurance fees, capitalized interest, and prepaid servicing fees.

Governmental Unit

The PACE Ordinance prescribes the fee payable to the Governmental Unit for entering into an assessment contract with any record owner, payable on or before the closing date of any related financing or refinancing that has been approved under the IFA PACE Program, unless such fee is otherwise waived by the Governmental Unit on a case-by-case basis. The applicable PACE Project Administrator shall be responsible for collecting and remitting such fee to the Governmental Unit.

Illinois Finance Authority

The PACE Handbook prescribes the fee payable to the Authority for any financing or refinancing, or interim financing, of a PACE Project.

PACE Area Administrator

The PACE Handbook prescribes the fee payable to the PACE Area Administrator for any financing or refinancing, or interim financing, of a PACE Project.

As of the date hereof, services of the PACE Area Administrator are free of charge.

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APPENDIX A

Form of Assessment Contract

APPENDIX B

Form of Assignment Agreement