

**ILLINOIS
FINANCE
AUTHORITY**



**CLIMATE
BANK
FINANCE**

JULY 2023





ILLINOIS FINANCE AUTHORITY (“AUTHORITY”) PURPOSE

- **The Authority** is a body politic and corporate created through State statute that authorizes the Authority to provide access to low-cost capital to public and private organizations that aim to:
- **Promote a vigorous growing economy** and **avoid involuntary unemployment** for Illinois residents; or
- **Reduce the cost of indebtedness** to State taxpayers and residents; or
- Otherwise **enhance the quality of life in Illinois** by benefiting the health, welfare, safety, trade, commerce, industry and economy of the people of Illinois consistent with its statutory declarations of policy; or
- **Combat climate change through finance** within an **equitable framework** that reflects the diversity of Illinois.



CLIMATE BANK FINANCE (“CBF”) PURPOSE

- **Climate & Equitable Jobs Act, 2021 (20 ILCS 3501/850-15)** The IFA was designated as the State’s Climate Bank as a directive from Governor Pritzker in 2021. The focus was to reduce carbon emissions, create energy efficient programs, and provide equity and job creation for communities affected by the climate crisis and the clean energy transition.
- **IFA has created the Climate Bank Finance (“CBF”),** a new vehicle to support the state’s climate objectives. The purpose of CBF is to provide attractive financing in support of economic development and climate related investments in the state.
- **The distribution of the benefits of clean energy in an equitable manner,** including by evaluating benefits to eligible communities and equity investment eligible persons;
- **Making clean energy accessible to all,** especially eligible persons, through financing opportunities and grants for minority-owned businesses, as defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act, and for low-income communities, eligible communities, environmental justice communities, and the businesses that serve these communities; and
- **Accelerating the investment of private capital into clean energy projects in a manner reflective of the geographic, racial, ethnic, gender, and income-level diversity of the State.**

OVERALL CBF INITIAL & NEAR-TERM STRATEGIES

PROJECTS



Clean air/water projects and wastewater treatment

Production/installation of wind, hydro, or solar power equipment

Clean energy generation/alternative fuels, new battery technologies

Production/installation/servicing of electric vehicles and charging stations

Sustainable agricultural practices

Energy conservation

Bio-material production

Broadband for Underserved Communities

SUPPORTING UNDERSERVED BUSINESSES AND INDIVIDUALS



Working Capital

Debt / Investment

Joint Ventures

Surety Bonds / Collateral

Project Finance

PROJECT FINANCING

Electrification finance



Low-Cost solar finance for non-profits buildings

Standardized Solar Finance Product for Disadv. Comm.



Revolving Loan Fund for energy efficiency

Low-cost finance for building electrification



Non-profit organizations



VARIOUS CBF INITIATIVES SUPPORTED BY FEDERAL FUNDING

MARCH



U.S. DOE
40101(d) GRID
RESILIENCE

\$40m

to improve reliability and resilience, particularly in disadvantaged communities

SUBMITTED



RESILIENT &
EFFICIENT CODES
IMPLEMENTATION

\$4m

to develop a building performance hub to support small energy efficiency contractors

SUBMITTED

APRIL



STATE SMALL
BUSINESS
CREDIT
INITIATIVE

up to \$20m

to provide financing for the start-up an/or expansion of "green" business ventures/projects

FUNDED



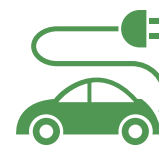
U.S. DOE
EE REVOLVING
LOAN FUND

\$15.3m

to finance building retrofits and to provide working capital to minority contractors

SUBMITTED

MAY



U.S. DOE
GRIP PROGRAM

\$127m

to accelerate transportation electrification in rural and small-town communities

SUBMITTED



U.S. DOT
CHARGING &
FUELING
INFRASTRUCTURE

\$15m

to support community-based charging benefitting rural and dense urban communities

SUBMITTED

SUMMER



U.S. EPA
GREENHOUSE
GAS REDUCTION
FUND

\$280m- \$840m

to seed Illinois Climate Bank and Illinois Jobs & Justice Fund Activities

JUN-SEP '23



SSBCI OVERVIEW

- In 2021 the American Rescue Plan Act of 2021 reauthorized and amended the Small Business Jobs Act of 2010 to provide \$10BN to fund the State Small Business Credit Initiative as a response to the economic effects of the COVID-19 pandemic.
- SSBCI is a federal program, administered by the U.S Department of Treasury, that was created to support programs that provide capital to small businesses, with the focus on support for Socially and Economically Disadvantaged Communities and Individuals (SEDI) as well as Very Small Businesses (VSB).
- SSBCI resources are provided to assist states, US territories, and Native American governments, in creating programs that catalyze private sector investment in small businesses needing improved access to capital.
- A total of more than \$354MM has been allocated by the UST to the state of Illinois, to be managed by the Illinois Department of Commerce & Economic Opportunity (DCEO) with up to \$20MM sub-allocated/granted to IFA for its SSBCI funded programs.

***To learn more about the SSBCI program please visit UST [website](#) > Program Rules | U.S. Department of the Treasury*



CLIMATE BANK FINANCE PROGRAMS

- Combines private sector financing with governmental resources into attractive lending facilities in support of IFA objectives. These are done in the following ways:

CBF PARTICIPATION LOANS

- CBF partners with Participating Lenders to mobilize capital to borrowers

CBF PARTICIPATION IN REVOLVING LINES OF CREDIT

- Max 2 years
- Interest Only to be paid quarterly, then balloon payment at Maturity

REFINANCE PRIOR DEBT

- (Refinancing of prior debt owed to a Participating Lender or its affiliates)
- Is permissible if credit provided is at least 150% of previous outstanding balance
- If not used to finance dividends/distributions
- Other conditions apply



CBF's LOAN PARTICIPATION ARE FOCUSED ON SEDI, CDFI, & VSB

SEDI

- SEDI self-certification is required
- Member of a group subjected to racial/ethnic prejudice or cultural bias
- Gender identify
- Veteran Status
- Limited English Proficiency
- Long-term residence in an isolated environment from mainstream American society
- Member of a federally or state recognized Indian Tribe
- Long-term residence in a rural community

CDFI

- Also qualifies as SEDI designation
- Owned/ controlled by individuals who reside in CDFI investment area
- Business Enterprises certify they will operate a location in a CDFI
- Business Enterprises that are located in CDFI investment areas

VSB

- Businesses with 9 or fewer employees at the time of the loan
- Businesses with 10 or more employees following an SSBCI transaction will not be considered a VSB for purposes of subsequent loans or investments



Borrower Financing Gaps

- Collateral and/or equity shortfalls
- Lack of cash flow (start – up)
- Low credit Score
- Negative net worth

CBF loans can be used for:

- Real Estate (51% or more occupied by the business)
- Leasehold Improvements
- Services used in production & Manufacturing
- Delivery of business goods/services
- Inventory and Equipment
- Start-up costs and Working Capital
- Accounts Receivable and Franchise Fees

Refinancing is allowed

- Unrelated Lender
- Cannot be used to finance extraordinary dividend or distribution



Program Eligibility

Company Eligibility includes:

- Less than 750 employees
- Operate in the State of Illinois
- Be in good standing with the Illinois Secretary of State
- Clear of any back taxes
- No bankruptcies, judgements, or liens in the past 5 years

Not Eligible

Ineligible Companies include:

- Cannabis
- Investment Real Estate
- Tobacco
- Goodwill related to change in ownership
- Adult entertainment/Gambling



ELIGIBLE LENDERS

Who qualifies to be a Participating Loan Partner/Lender?

- National Banks
- State Banks
- Credit Unions
- Depository and Non-Depository Community Development Financial Institutions
- Other Non-Depository Institutions





PARTICIPATION LOAN PROGRAM APPROVAL PROCESS



When applying Participating Lenders must provide:

- Lender and Borrower Application materials and Certifications
- Approved internal credit report with supporting documentation, contingent on CBF participation



PROGRAM TYPES

Standard

SEDI and VSBs

➤ Maximum Participation

The lesser of:

- 25% of the Total Project
- 50% of the Loan
- \$2 Million

The lesser of:

- 50% of the Total Project
- 50% of the Loan
- \$2 Million

➤ Maximum Term

7 years

7 Years

➤ Amortization

Yes

Yes

➤ Rate

Fixed at 2% per annum

Fixed at 1% per annum

➤ Job Creation and /or Retention

Each \$50K participated; One full time job estimated to be created or at-risk jobs to be retained in the next two years

Each \$65K participated; One full time job estimated to be created or at-risk jobs to be retained in the next two years



DISCLOSURE PAGE

➤ The U.S. Treasury, (“UST”), under the powers granted to it under the State Small Business Credit Initiative, (“SSBCI”), of the American Rescue Plan Act of 2021, allocated to the State of Illinois SSBCI funding potentially totaling \$354,626,570, for the following purposes;

1. Main Capital Funds:	\$261,128,465
2. SEDI-Owned Businesses Funds:	\$47,435,265
3. Very Small Businesses Funds:	\$20,764,032
4. Incentive Funding for SEDI-Owned Businesses:	\$25,298,808

➤ Of the above amounts, the funds listed #1 – #3 will be made available to the state as follows;

1. The first 33% of each source of these funds, (the “First Tranche”), was made available to Illinois in December 2022.
2. Once the state is able to certify to the UST that it has expended, transferred or obligated 80 percent or more of the prior disbursement of allocated funds under its Treasury-approved programs, it may apply for a second 33% portion of the above funds, (the “Second Tranche”). However, this request must occur by December 2, 2025, (3 years from the date of the Allocation Agreement concluded between the U.S. Treasury and the State of Illinois).
3. Once the state is able to certify to the UST that it has expended, transferred or obligated 100 percent or more of its First Tranche and 80% or more of its Second Tranche of allocated funds, it may apply for a final 34% of the above funds, (the “Third/Final Tranche”). However, this request must occur by December 2, 2028, (6 years from the date of the Allocation Agreement concluded between the U.S. Treasury and the State of Illinois).



DISCLOSURE PAGE (cont'd)

- Funds listed under #4, (Special Incentive Funding for SEDI-Owned Businesses), are to be awarded by Treasury, over and above the provision of funds under items #1 - #3, based on the state's ability to demonstrate that it has provided "robust support" for SEDI-owned businesses. Calculation of the Incentive funding to be awarded is based on the percentage of Illinois' UST-designated SEDI "stretch target, (36.96% of SSBCI-fund program deployment), that the state achieves, as documented at the time of the state's requests for its Second and Third Tranches of funds #1 - #3.
- The Illinois Department of Commerce and Economic Opportunity, ("DCEO"), has been designated by the Office of the Governor, to perform as Illinois' "Implementing Entity". In this role, DCEO is the primary point of contact between the state and the U.S. Treasury and is responsible for overseeing all SSBCI-funded activities in the state. DCEO has secured UST approval to conduct its SSBCI activities through three separate product offerings; The Advantage Illinois Loan Participation Program, the Advantage Illinois Loan Guarantee Program, and the IN-VENT Equity Capital Program.
- DCEO has also received UST approval to transfer up to \$20MM of its SSBCI funding to the Illinois Finance Authority's Climate Bank Finance ("CBF") Program, (in the role of a "Contracting Entity"), thus providing the resources required to underpin CBF's Loan Participation Program.
- IFA wishes to thank DCEO for its generous support, encouragement, and collaborative spirit.