



# Make Way for C-PACE Funding in Illinois:

*Strategic State Support Provided  
by  
Illinois Finance Authority*

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*[www.il-fa.com](http://www.il-fa.com)*



# What is C-PACE?

In Illinois, counties, cities, and villages establish Commercial Property Assessed Clean Energy programs so commercial property owners in their communities can avail themselves to the taxable municipal bond market to economically finance or refinance up to 100% of their energy efficiency, renewable energy, and water conservation projects on a long-term basis with a Capital Provider (i.e., Bondholder).



Note: In Illinois, residential PACE is not enabled by law.

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# How C-PACE Works

- ❖ Commercial property owner voluntarily executes a C-PACE assessment contract with local unit of government to finance an energy project. Proceeds of a bond issue by a unit of local government that has established itself as a “PACE Area” fund the energy project.
  
- ❖ C-PACE lien is recorded and attached to the commercial property owner’s property tax bill. Like any other property tax, a C-PACE lien is senior to a commercial mortgage.
  - Mortgage holder consent required
  - C-PACE repayment obligation transfers to a new property owner upon the sale of the improved commercial property (along with the ongoing energy savings)
  - Bondholder(s) entitled to same rights and remedies that a local unit of government has regarding delinquent property taxes
  - Allows C-PACE financing to exceed standard commercial lending terms that are otherwise typically only 5-7 years
  
- ❖ C-PACE financing term = useful life of energy project (~20 years)





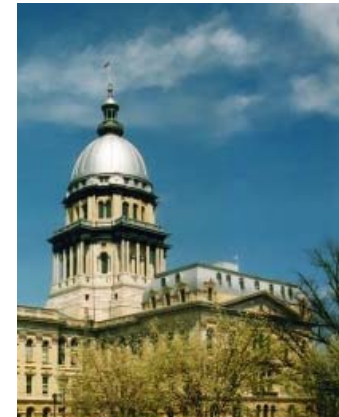
# Statutory Qualifications

- ❖ Required: an assessment of the existing water or energy use and a modeling of expected monetary savings have been conducted for any proposed C-PACE project.
- ❖ C-PACE assessment contracts cannot exceed 25% of the greater of (i) the assessed value of the property or (ii) the appraised value of the property, as determined by a licensed appraiser.
  - Appraisal must not be older than 12 months
- ❖ No delinquent: (i) taxes, (ii) special assessments (including any existing assessments under a C-PACE program), or (iii) water or sewer charges on the commercial property
- ❖ No involuntary liens on the commercial property, including, but not limited to, construction or mechanics liens; no environmental or eminent domain proceedings; and commercial property must not be an asset to a current bankruptcy
- ❖ No pending real estate legal actions against record owner of commercial property. Record owner must also be current on all mortgage debt on the commercial property and not have filed for bankruptcy in the last 2 years.



# C-PACE History in IL

- ❖ August 11, 2017: Illinois Property Assessed Clean Energy Act becomes law.
  - Public Act 100-0077 (HB2831)
  
- ❖ February 15, 2018: IFA Board of Directors adopts a Resolution to assist local units of government with C-PACE financing due to 6 months of failed C-PACE implementation.
  
- ❖ April 17, 2018: IFA introduces PACE Act trailer bill (SB2773).
  - Passed Senate May 2, 2018
  - Passed House May 30, 2018
  
- ❖ August 19, 2018: PACE Act trailer bill (SB2773) becomes law.
  - Public Act 100-0980 (SB2773)
  - Effective January 1, 2019



*Springfield, IL*



# Implementation

- ❖ As recommended by the U.S. Department of Energy’s “*Lessons in Commercial PACE Leadership: The Path from Legislation to Launch*” dated February 2018, a strategic state support model is beneficial as the state develops standard materials, protocols and offerings; localities use these as they see fit.



- ❖ PACE Act trailer bill (SB2773) provides path for successful C-PACE implementation in Illinois by utilizing a strategic state support model to be provided by IFA.





# About IFA

- ❖ IFA is a body politic and corporate governed by a 15-person Board of Directors appointed by the Governor and confirmed by the Senate.
- ❖ IFA receives no taxpayer support or state appropriation for operating expenses.
  - Revenue generated from fee income and investment earnings
  - Approximately 12 full-time staff; annual budget of ~\$5.0 million
- ❖ Principal IFA office location is in downtown Chicago.
  - Satellite offices in Springfield and Mt. Vernon
- ❖ As of June 30, 2017, IFA's bonds issued on behalf of for-profit, non-profit, and local government borrowers totaled more than \$25.33 billion in outstanding principal.
  - In Fiscal Year 2017 alone, IFA successfully closed and funded over 58 bond transactions totaling more than \$4.14 billion



# State Support Model

- ❖ Counties, cities, and villages can assign assessment contracts to IFA to finance C-PACE projects on their behalf, which offers the following benefits:
  - C-PACE bonds issued by an experienced, existing statewide conduit bond issuer
    - More efficient bond financing through IFA vs. bond financing by local units of government
    - Local unit of government still earns a fee while retaining accountability with its procured C-PACE Program Administrator(s)
  - Monthly meetings of the IFA Board of Directors held at the principal office approve C-PACE financings from a variety of local jurisdictions across the state
    - Diminishes Program Administrator operating costs
  - C-PACE bond documents drafted by IFA drive standardization of Illinois market
    - Reduces legal fees and improves capital flow across the state
  - IFA open market model allows transaction participants to engage their own financing team, including Bond Counsel and Capital Providers
    - No procurement issues





# Conduit Bond Issuance

- ❖ Historically, IFA has served as the primary statewide conduit bond issuer for the public financing of projects voluntarily undertaken by private borrowers (healthcare systems, educational institutions, small manufacturers, etc.).
  - State statutory general bond debt limit of \$28.15 billion



- ❖ Public Act 100-0919 (SB0043) clarified IFA has an additional \$2.0 billion of state statutory bonding authorization for C-PACE projects, separate and apart from \$28.15 billion general bond debt limit noted above.
  - Judicial validation of C-PACE Bonds issued by IFA not required
  - C-PACE Bonds issued by IFA are taxable municipal bonds



# Warehouse Fund

- ❖ Counties, cities, and villages that assign assessment contracts to IFA to finance C-PACE projects on their behalf will additionally benefit from IFA's C-PACE Warehouse Fund.
  - Certain balance sheet assets of IFA are dedicated as a warehouse fund for interim funding of smaller C-PACE projects that are otherwise uneconomical for purposes of long-term bond financing
  - Upon multiple interim loans reaching economies of scale for bond financing, assessment contracts will be pooled together and IFA will issue taxable municipal bonds
    - Smaller borrowers now only pay a reduced, pro-rated costs of issuance
    - Ensures C-PACE available for every small business in established PACE Areas
  
- ❖ IFA Warehouse Fund Tentative Rate (i.e. cost of capital to local units of government (or their procured Program Administrator(s)):
  - Federal Reserve Bank of New York's Daily Secured Overnight Financing Rate + 45 basis points (reset monthly)





# C-PACE Launch!

- ❖ Given the state support model and warehouse fund offered by IFA, local units of government have begun the first steps of procuring Program Administrators to develop and establish C-PACE programs in their communities as well as adopt the C-PACE ordinance prepared by IFA.
  - July 17, 2018: DuPage County approved Illinois Energy Conservation Authority as Program Administrator
  - July 25, 2018: City of Chicago approved Loop-Counterpointe PACE LLC as Program Administrator
  - August 14, 2018: Kane County approved Illinois Energy Conservation Authority as Program Administrator



REQUEST FOR PROPOSALS (RFP) For  
PACE Program Administrator  
Issued by:  
City of Chicago  
(Department of Planning and Development)



**Kane Energy  
Efficiency Program  
(KEEP)**

- October 31, 2018: City of Chicago approves ordinance establishing city limits as PACE area, authorizes IFA to issue C-PACE bonds on its behalf



# Questions?

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