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## COMMERCIAL PROPERTY ASSESSED CLEAN ENERGY FINANCING

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### Background

Under Illinois law, cities, villages, and incorporated towns (each a “Municipality”) may create PACE Areas at the request of for-profit and non-profit owners of commercial, industrial, and multi-family (of 5 or more units) properties. By creating PACE Areas, Municipalities can offer long-term, fixed-rate financing or refinancing for up to 100% of the costs of property owners’ respective alternative energy, energy efficiency, renewable energy, resiliency, and water use improvement projects (each an “Energy Project”). Eligible property owners in a PACE Area voluntarily enter into an assessment contract with the Municipality, and the issuance of a bond or note secured by the applicable Municipal assessment contract funds the Energy Project. Such bond or note is repaid through the special assessment imposed on the applicable property pursuant to the Municipal assessment contract, and the related bond or note is never a general or moral obligation of neighboring taxpayers.

Historically, the Illinois Finance Authority (the “Authority”) has served as the primary statewide conduit issuer for the public financing of projects voluntarily undertaken by private borrowers (healthcare systems, educational institutions, small manufacturers, etc.). Given this market experience, the Authority is focused on empowering city mayors and village presidents by standardizing the structure of the Commercial Property Assessed Clean Energy (“C-PACE”) financing market in Illinois to facilitate more efficient access to non-recourse capital and lower financing costs for participating Municipalities.

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### Impact

The Authority’s C-PACE Strategic State Support Model offers Capital Providers an independent, nonpolitical marketplace for opted-in Municipalities in Illinois. As a body politic and corporate created under the laws of the State, the Authority has statewide jurisdiction to issue bonds or notes secured by assigned Municipal assessment contracts. Opted-in Municipalities allow Capital Providers to administer and service their own C-PACE originations in a free and open marketplace. Capital Providers or their servicers reliably bill and collect payments themselves, keep 100% of any default interest on loans they originate, 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.

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### Standardized, Efficient, and Affordable

To create PACE Areas in Municipalities, the Authority supplies a standardized local ordinance and related form of assessment contract that has been vetted by counsel. Additionally, the Authority has a standardized form of Master Indenture and related form of Issuance Certificate that allows any Capital Provider to fund an unlimited number of Energy Projects under a single, statewide trust. The Authority’s standardized financing documents facilitate diminished due diligence costs in the secondary market, and as a result, long-term bonds or notes (secured by assigned Municipal assessment contracts) issued by the Authority (as a statewide conduit issuer) are effortless to securitize.

The Authority’s 15-person board, which is appointed by the Governor and confirmed by the Senate, considers resolutions that approve eligible Capital Providers for *all PACE Areas* throughout Illinois for incremental periods of 36 months. For each Energy Project the Capital Provider originates during this time, staff aptly executes an Issuance Certificate under the approved form of Master Indenture on file for the Capital Provider and promptly delivers the bonds or notes subsequent to the Municipality opting in. This delegation ensures efficient and timely funding of Energy Projects, consistent with market expectations.

The Authority offers an affordable flat basis point fee (50 basis points of the Assessment Amount) for its services that is paid at closing, and there is no application fee or annual fees. Most notably, market participants can select any counsel or trustee of their choosing at their own negotiated terms and conditions to incentivize competition and reduce overall costs.

**For additional information:**  
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