
COMMERCIAL PROPERTY ASSESSED CLEAN ENERGY FINANCING

Background

Under Illinois law, counties and municipalities (each a “Governmental Unit”) may establish Commercial Property Assessed Clean Energy (“C-PACE”) programs and create related ‘PACE areas’ in order to offer for-profit and non-profit owners of commercial, industrial, and multi-family (of 5 or more units) properties long-term, fixed-rate financing or refinancing for up to 100% of the costs of their respective alternative energy, energy efficiency, renewable energy, resiliency, and water use improvement projects (each an “Energy Project”). Eligible record owners in a ‘PACE area’ may voluntarily enter into an assessment contract with the Governmental Unit, and a bond issue secured by the assessment contract funds the Energy Project. Such PACE bonds are repaid through a special assessment imposed on the applicable property pursuant to the assessment contract, and PACE bonds are never general or moral obligations of 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.). Effective September 15, 2021, the Authority has been designated as the Climate Bank of the State of Illinois to aid in all respects with providing financial assistance, programs, and products to finance and otherwise develop and facilitate opportunities to develop clean energy and provide clean water, drinking water, and wastewater treatment in the State.

Impact

As a conduit issuer, the Authority in its role as the Climate Bank of the State is focused on standardizing the structure of the Commercial Property Assessed Clean Energy (“C-PACE”) market to facilitate more efficient access to non-recourse capital and lower financing costs for participating counties and municipalities in Illinois. Thus, assessment contracts are permissively assigned to the Authority as a body politic and corporate created under the laws of the State in order to utilize its turnkey solution for PACE bond issuance. The Authority has been granted an initial \$2.0 billion of bonding authorization by the Illinois General Assembly to finance or refinance Energy Projects.

Standardized, Efficient, and Affordable

The Authority avails a model local ordinance and form assessment contract to Governmental Units seeking to create ‘PACE areas’ in their communities. Additionally, the Authority has collaborated with market stakeholders and finalized standardized forms of a Master Indenture and related form Issuance Certificate that allow any Capital Provider to fund an unlimited number of Energy Projects in a program administrator’s market under a single trust. The Authority’s standardized financing documents facilitate diminished due diligence costs in the secondary market, and as a result, PACE bonds issued by the Authority are easier to securitize.

The Authority’s 15-person board, which is appointed by the Governor and confirmed by the Senate, considers PACE bond resolutions that approve the maximum term, interest rate, and principal amount of PACE bonds that a Capital Provider may purchase to fund Energy Projects in *all* ‘PACE areas’ throughout the state 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 PACE bonds. This delegation ensures efficient and timely funding of Energy Projects, consistent with market expectations.

The Authority offers an affordable flat basis point fee (based on an Issuance Certificate’s total par amount) for issuance of PACE bonds, and there is no application fee. As a conduit issuer, the Authority is open to all market participants, incentivizing competition and reducing overall costs.

For additional information, please contact the staff listed below:

Brad R. Fletcher

312-651-1329 or bfletcher@il-fa.com