

Date: October 12, 2021

To: William Hobert, Chair
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James J. Fuentes
Mayor Arlene A. Juracek
Roxanne Nava
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Jennifer Watson
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From: Christopher B. Meister, Executive Director

Subject: *Message from the Executive Director*

Dear Member of the Authority:

Illinois Finance Authority Designated as the Climate Bank

As anticipated in my September 2021 message, on September 15, 2021, Governor Pritzker signed the Climate and Jobs Equity Act, PA. 102-0662 (“Climate Law”) which had passed both chambers of the General Assembly on September 13, 2021. Because the Climate Law was passed with supermajorities in both chambers, the Climate Law was immediately effective.

The Climate Law designates the Authority “as the Climate Bank for the State” (20 ILCS 3501/850-15) “to aid in all respects with providing financial assistance, programs, and products to finance and otherwise develop and implement equitable clean energy opportunities in the State to mitigate or adapt to the negative consequences of climate change in an equitable manner . . .” (20 ILCS 3501/801-5(t), including to “. . .provide clean water, drinking water, and wastewater treatment.” 20 ILCS 3501/850-5. The Climate Law also (1) clarifies Authority power to finance or refinance working capital debt; (2) allows the Authority to enter into and invest in joint ventures; and (3) begins to change the basic accountability framework of the Authority.

With respect to the Pritzker Administration, the Authority is currently part of state-based teams working on climate change and implementing the goals found in in the Climate Law. These interagency teams are working on electrification of the transportation system, transitioning the State vehicle fleet to electric vehicles, and reaching out to stakeholders and federal agencies. Part of this effort is reflected in Governor’s Pritzker’s’ recent signing of the Regional Electric Vehicle for the Midwest Memorandum of Understanding, establishing a partnership with Governors from Indiana, Michigan, Minnesota, and Wisconsin to collaborate on electric vehicle (EV) charging infrastructure across the Midwest region.

Importantly, for Authority Members, the Climate Law offers an extraordinary invitation to use your respective experiences and judgment to reimagine the Authority consistent with our statutory mission. The Climate Law does not provide any new appropriated funding to the Authority, but the Climate Law does ask the Authority Members:

“To utilize funding sources, including, but not limited to: (A) funds repurposed from existing programs providing financial support for clean energy projects, provided any transfer of funds from such existing programs shall be subject to approval by the General Assembly and shall be used for expenses of financing, grants, and loans . . .”

20 ILCS 3501/850-10(c)(2), eff. September 15, 2021

In the coming weeks, we will initiate this task consistent with Governor Pritzker’s goals with respect to climate and with the priorities of the General Assembly.

Federal Legislative Developments

In the September message, I shared some timely positive federal legislative developments with respect to federally tax-exempt conduit bonds. This month, unfortunately, I would describe the current federal legislative situation as “unsettled.” We continue to monitor federal developments closely and will keep you informed.

A.I.M (Art In Motion) Charter School: (1) New Borrower;

(2) Likely to be the Second Authority-Issued “Social” Designated Conduit Bond

With respect to clean energy projects, the Climate Law memorializes and makes explicit one of the longstanding implied purposes of the Authority: “accelerating the investment of private capital . . . in a manner reflective of the geographic, racial, ethnic, gender and income-level diversity of the State.” 20 ILCS 3501/850-15 (3). As the state-wide issuer of federally tax-exempt conduit bonds under the Internal Revenue Code, the Authority does have the tools to accomplish this very purpose for specific projects: accelerating the investment of private capital in a manner reflective of the geographic, racial, ethnic, gender and income-level diversity of Illinois. ***A.I.M. Charter School*** is a new conduit borrower to the Authority and its project on today’s agenda, once complete, will be an accomplishment in meeting this Authority purpose.

While A.I.M. is a comparatively new charter school in its third year of operation, A.I.M.’s governing body has (i) engaged an experienced charter school management company that has successfully managed several from initial start-up, and (ii) assembled a project development team experienced in initiating and completing projects of this type: start-up charter schools in challenged communities undertaking adaptive reuse conversions. The A.I.M. project will result in the substantial renovation of a former manufacturing and warehousing facility into a charter school serving Grades 7-12. And while not formally associated with A.I.M. in a leadership or guarantor role, the hip-hop artist, Common, who was raised in the neighborhood, is currently featured on A.I.M.’s website (<https://www.aimchicago.org>).

Of significance, A.I.M. Charter School intends to designate the Series 2021 Bonds as “Social Bonds” to generally comport with The Social Bond Principles set forth by the International Capital Market Association. Located in Chicago’s South Shore community, A.I.M. is the only tuition-free, creative arts focused school in Chicago that does not have entrance or audition requirements to attend. A.I.M. is an open enrollment school – any student who resides within the Chicago city limits may attend and currently draws from a wide variety of communities across Chicago’s Southside. A.I.M. also serves English language learners and students with special needs. This will be the Authority’s second conduit borrower that has elected to self-designate their conduit bonds as “Social Bonds.” In August 2021, the LEARN Charter School self-designated its Authority conduit bonds as “Social.” While the “Social” designation is still a developing approach in the capital markets, LEARN’s underwriter observed:

“While accounts [did] not confirm how much, if any, of their allocations [went] to ESG [“environmental social governance”], several accounts appeared to have cared about social impact purpose . . . among others who have also prioritized ESG in other transactions recently. [The underwriter] reported lowered spreads by up to 15 basis points (0.15%) from pre-marketing levels, despite a market sell-off in MMD at the time of sale.”

We wish A.I.M.’s financing team success as they seek to broaden investor demand through the “Social Bonds” designation.

Kane County Senior Living d/b/a The Reserve at Geneva (“The Reserve”)

One of Authority’s purposes is to be available as an issuer when a conduit borrower’s plans do not turn out. After a challenging period, – the residents as well as representatives of former residents of the Reserve have engaged with a lender expert with a record of changing the course of projects for the better. Together, these stakeholders have agreed to the plan presented today. There are no objections and no dissent. We wish this borrower and its community well as it works through a challenging situation.

Welcome New Member Jennifer Watson

Today, we also welcome the Authority’s newest Member, Jennifer Watson of Brighton Illinois on the border between Macoupin and Jersey counties. Member Watson is now in private law practice after a career in the Macoupin County State’s Attorney’s Office.
Respectfully,



Christopher B. Meister
Executive Director