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COMMERCIAL PROPERTY ASSESSED CLEAN ENERGY BOND FINANCING

Background

Under Illinois law, commercial property owners in Illinois can finance or refinance up to 100% of their alternative energy, energy efficiency, renewable energy, resiliency, and water use improvement projects (each, an “Energy Project”) on a fixed-rate, long-term basis through a county or municipality (each, a “Governmental Unit”) that has created a Property Assessed Clean Energy (“PACE”) area within its jurisdictional boundaries. A commercial property owner in a PACE area voluntarily enters into an assessment contract with the Governmental Unit and a bond issue funds the Energy Project. PACE bonds are repaid through a special assessment imposed on the commercial property pursuant to the assessment contract, and PACE bonds are never general or moral obligations of taxpayers.

Historically, the Authority 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.). In late 2017, the Authority undertook an effort to diversify its products and services (the “Transformation Initiative”) while continuing to fulfill its public mission. A cornerstone of the Transformation Initiative was developing a standardized, efficient, and affordable Commercial-PACE (“C-PACE”) bond financing service for Governmental Units, program administrators, borrowers, and capital providers (or bond purchasers).

Impact

Governmental Units permissively assign assessment contracts originated by capital providers to the Authority in order to utilize the Authority’s standardized bond documents and effectively pool assessment contracts across multiple jurisdictions in a program administrator’s market to achieve economies of scale. As a statewide body politic and corporate, the Authority’s C-PACE bond financing service promotes standardization of the Illinois PACE market to improve liquidity and bring about cost savings for all. The Authority has been granted \$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 expended significant time and resources finalizing a standardized form Master Indenture and related form Issuance Certificate that allows any capital provider to fund an unlimited number of Energy Projects in a program administrator’s market under a single Master Indenture. The Authority’s standardized PACE bond documents facilitate diminished due diligence costs in the secondary bond 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 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 does not rely on State appropriation of taxpayer dollars to support its mission or operations. 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 upon receiving assignment of an assessment contract. The Authority’s C-PACE bond financing service is open to all market participants, incentivizing competition and reducing overall costs.

For additional information, please contact the staff listed below:

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