



IECA PACE Overview & Guidebook



Conserving energy and/or water, generating renewable energy, improving resiliency and reducing operating expenses are priorities for Illinois building owners. Financial barriers have traditionally impeded investment in clean energy and resiliency building improvements. Now there is a solution: Commercial Property Assessed Clean Energy (“C-PACE”) financing available through The Illinois Energy Conservation Authority, NFP, an Illinois tax-exempt 501(c)(3) nonprofit organization (“IECA”) PACE. (www.IECAPACE.org)

What is C-PACE?

C-PACE is an innovative tool that enables commercial property owners to obtain up to 100% long-term, fixed-rate financing for energy efficiency, renewable energy, resiliency, water use and electric vehicle charging building improvements. The term of a C-PACE financing may extend through the useful life of the improvement, which may be up to 20-30 years long, and can result in cost savings that exceed the amount of the C-PACE financing.

One of the distinguishing features of C-PACE is that it is secured by a special assessment lien on the property and is repaid as a line item on the property tax bill. C-PACE special assessments “run with the land”, therefore C-PACE does not accelerate or become due upon the sale of the property, allowing property owners to invest in longer-term payback clean energy improvements that can generate positive cash flow.

The IECA PACE program authorizes Illinois municipalities and counties to work with private sector lenders to provide upfront C-PACE financing—up to 100% of the cost of improvements—to property owners for qualified projects. Commercial and multifamily property owners across IECA PACE participating communities can use this financing to enhance sustainability of their properties and lower both operating expenses and their cost of capital.

PARTICIPATING COMMUNITIES

Participating Communities are Illinois local governments that have opted into the IECA PACE program and adopted a model C-PACE Ordinance and Program Report. Participating Communities are authorized to enter into an assessment contract with an eligible property owner to finance a qualified PACE project and repay the financing through the property’s tax bill. IECA PACE Participating Communities can be found here: (www.iecapace.org/c-pace-county-programs).

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ELIGIBLE PROPERTIES

IECA PACE is available to eligible commercial and industrial property owners in Participating Communities. Eligible properties include both existing and newly constructed commercial and industrial buildings, and multifamily apartment buildings consisting of five or more dwelling units.

C-PACE financing is available to property owners for equipment replacement, retrofits, new construction and value-add or adaptive-reuse projects. Additionally, property owners may refinance eligible improvements that were completed within the last three (3) years.

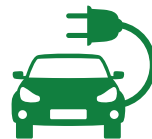
ELIGIBLE IMPROVEMENTS

C-PACE financing can be used to fund many eligible commercial building improvements (collectively, “Energy Projects”). C-PACE financing covers a vast range of potential improvements; below are some examples:



Energy & Water Efficiency Improvements

- HVAC upgrades and controls
- High-efficiency lighting
- Building envelope (insulation, roof, windows & doors)
- Automated building controls
- Low flow water fixtures
- Combined heat and power systems (CHP)
- Hot water systems
- Beneficial Electrification
- Motors, pumps and variable speed drives



Electric Vehicle Charging Infrastructure

- Level 2 charging stations
- DC fast chargers



Resiliency Improvements

- Flood mitigation
- Wind resistance
- Energy storage and backup power generation (micro-grids)



Renewable Energy Improvements

- Solar PV
- Solar Thermal
- Wind
- Biofuels
- Geothermal



Water Use Improvements – Purification

- Water recycling systems
- Stormwater management: capture, reuse & recycle
- Bioretention, green roofs, cisterns & porous pavement
- Lead pipe abatement

Eligible Energy Projects must be installed by qualified professionals who are registered and in good standing with the IECA PACE Program. Property owners may refer their professional to apply to the Program for registration at:

<https://iecapace.org/contractors>

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ELIGIBLE COSTS

Examples of eligible costs may include, but are not limited to:

- The direct costs of the equipment, materials and labor necessary to complete the Energy Project.
- Related ancillary work (electrical, structural or plumbing work) and other costs necessary to complete the Energy Project (e.g. roof upgrades to support a roof-mounted solar PV installation).
- Designs, energy audits and surveys, building permits, inspections, engineering, commissioning costs and service contracts.
- Pre-paid warranties and service contracts for repairs and maintenance.
- Financing fees, and other administrative costs (detailed on following pages).

ENERGY PROJECT ASSESSMENT

The property owner must submit an Energy Project Assessment (“EA”) prepared for the proposed Energy Project(s) to the C-PACE program administrator with each application. The EA requirements vary depending on the Energy Project and type of project application (e.g. new construction vs. renovations, etc.), according to the tables below:

Energy Project Assessment Requirements

| Requirements | Energy Project Improvement Type | | | | |
|-----------------------|---------------------------------|------------------|--------------------|------------|-------------------|
| | Energy & Water Efficiency | Renewable Energy | Water Purification | Resiliency | Electric Vehicles |
| Certification* | X | X | X | X | X |
| Savings Calculation** | X | X | | | |

* Third-party certification that Energy Project qualifies to the guidelines.

** Savings Calculation is an assessment of energy & water savings and monetary savings associated with the Energy Project(s), prepared according to the guidelines.

Baseline Requirements

| Project Type | Energy Project Improvement Type | | | | |
|--------------------|---------------------------------|------------------|--------------------|------------|-------------------|
| | Energy & Water Efficiency | Renewable Energy | Water Purification | Resiliency | Electric Vehicles |
| Equip. Replacement | Existing | Existing | | | |
| Retrofit | Existing | Existing | | | |
| Renovation | Existing | Existing | | | |
| Adaptive Reuse | Existing | Existing | | | |
| New Construction | Code | Code | Code | Code | |

Existing: Existing/prior building conditions. Code: Applicable local building code.



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All Energy Project Assessments must include:

- Credentials of the Energy Project Assessment Professional(s) who prepared the assessment
- Description of the proposed work and contract/proposal from the registered contractor
- Estimated useful life and direct installation cost(s) for the Energy Project(s)

The EA shall be prepared by Qualified Energy Project Assessment Professionals. These are professionals who have appropriate credentials, such as project engineer, certified energy manager, licensed architect and, in certain instances, the Registered Installation contractor, as further defined in the guidelines. Energy assessments made available through Illinois utility energy programs that meet the EA requirements are accepted by the IECA PACE program.

C-PACE-TO-VALUE

The amount of all outstanding C-PACE financing on a given property may not exceed 25% of the property value. Property value may be established by either the assessed value or by an appraisal conducted by a licensed appraiser.

TERM OF A C-PACE FINANCING

The term of a C-PACE financing shall not exceed the effective useful life (“EUL”) of the proposed Energy Project, which may be up to 30 years long. For C-PACE financings that include multiple Energy Projects, the term of the financing may be equal to the EUL of the Energy Project with the longest EUL Energy Project, subject to the Program Administrator’s review and approval.

QUALIFIED CAPITAL PROVIDERS

C-PACE programs administered by the IECA are “open market,” meaning any qualified capital provider may participate. Eligible property owners are encouraged to work with IECA PACE qualified capital providers to secure terms and conditions for C-PACE financing commitments. A roster of IECA PACE qualified capital providers are available here:

<https://iecapace.org/qualified-ieca-capital-providers>

LENDER CONSENT

The property owner is required to provide to the holders of any existing mortgages encumbering or otherwise secured by the property a notice of the owner’s intent to enter into an assessment contract and to obtain such holders’ consent to the C-PACE financing.





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GETTING STARTED



STEP 1 CONFIRM ELIGIBILITY

Ensure you have an eligible property located in an IECA PACE Participating Community then visit the IECA PACE website (<https://iecapace.org/getting-started-apply>) and submit a pre-application.



STEP 2 DEVELOP ENERGY PROJECT

Work with a qualified contractor and qualified Energy Project Professional to obtain an Energy Project Assessment and define the Energy Project scope of work.



STEP 3 SECURE FINANCING

Request financing quotes from one or more qualified Capital Providers and secure consent to C-PACE financing from your mortgage lender(s).



STEP 4 IECA APPROVAL

Submit a Final Application and required documentation to IECA PACE for final approval.



STEP 5 CLOSE FINANCING

Enter into an assessment contract and supplemental agreements with the C-PACE Capital Provider and the Participating Community.



STEP 6 INSTALL ENERGY PROJECT

Complete construction of all financed Energy Projects.



STEP 7 REPAY

C-PACE financing is repaid semi-annually on your property tax bill.

PROPERTY OWNER REQUIREMENTS INCLUDE:

- A property owner must be the owner or owners of record.
- The property owner must be eligible to receive a property tax bill and pay property taxes to the appropriate jurisdiction(s). (Note that some nonprofit organizations may be eligible, even if not currently paying property taxes. Contact the IECA for details.)
- The property owner of record may not have filed for bankruptcy in the last two years.
- The property owner must be current on all taxes, special assessments, water or sewer charges or other property assessed clean energy program assessments.
- Mortgage debt, if any, on the property must be current without delinquencies.
- There may be no involuntary liens on the property, including, but not limited to: construction or mechanics liens, lis pendens or judgments against the record owner, environmental proceedings, or eminent domain proceedings.
- There may be no notices of default or delinquency on property-based debt that have been recorded and not cured.
- The property may not be an asset to a current bankruptcy.

REPAYMENT OF THE C-PACE FINANCING

The property owner signs an assessment contract with the Participating Community, which provides for repayment over the financing term through an assessment levied on the property which is billed on the tax bill and collected semi-annually according to the jurisdiction's property tax collection dates.



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PROGRAM ADMINISTRATOR

All PACE project applications will be reviewed by the IECA, the C-PACE Program Administrator, to ensure all projects satisfy the Program's requirements. See www.iecapace.org for more information about the IECA PACE program.

ABOUT IECA

The IECA is a not-for-profit corporation that was formed out of a commitment to bring innovative PACE program administration to Illinois communities and the Midwest region. The IECA has compiled a team of partners and advisors with deep ties to the region, and five decades of experience in serving the commercial real estate industry as well as nearly eight years of experience in PACE around the country. The IECA is uniquely positioned to assist the state of Illinois and the Midwest region in establishing successful commercial PACE (C-PACE) programs that will support greater economic development activity, as well as contribute to developing high performing buildings through the installation of energy efficiency, water conservation, resiliency and clean energy technologies.

IECA PACE PROGRAM FEES¹

Fee Notes

| Closing Fees ³ | | % of PACE Financing Amount |
|---|------------|-----------------------------|
| Program Fee | 1.75% | \$75,000 Cap |
| County Fee | 0.25-1.00% | See County Fee Table Below |
| Bond Counsel Fee | | |
| For PACE Financing Amount up to \$3,500,000 | 1.00% | \$35,000 Cap |
| From \$3,500,001 up to \$7,000,000 | 0.75% | \$61,250 Cap |
| From \$7,000,001 up to \$10,000,000 | 0.50% | \$76,250 Cap |
| Above \$10,000,000 | 0.35% | Negotiable |
| Administrative Expense Fee ⁴ | | Per Semi-Annual Installment |
| For PACE Financing Amount less than \$500,000 | \$300 | May vary by County |
| For PACE Financing Amount of \$500,000 and up | \$400 | |

Notes:

1. The IECA PACE Program fees are exclusive of Capital Provider fees, bond issuer costs, financing fees and other closing costs as determined by the Capital Provider.
2. Closing Fees are one-time fees, paid at closing from the proceeds of the PACE Financing.
3. County Fees may vary by county in both rate and cap. See the County Fee Table below for specific fees by County.
4. Administrative Expense Fees are semi-annual fees that are a portion of the assessment installment payments paid throughout the term of the PACE Financing. This fee is assessed per tax parcel/PIN subject the PACE Financing.

| County Fee Table | County Fee | County Fee Cap |
|-------------------------------------|----------------|----------------|
| Cook County | 0.25% (25 bps) | \$50,000 |
| DuPage County | 0.25% (25 bps) | \$50,000 |
| Lake County | 0.25% (25 bps) | \$50,000 |
| All other Participating Communities | 1.00% (1 pt) | Negotiable |

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