

Request for Lender Consent and Notice of Proposed PACE Assessment

Notice Date: _____

Lender Address

Lender: _____

Street: _____

City/State/Zip Code: _____

ATTN: _____

Property/Loan Information:

Address: _____

Loan Number: _____

Why has the financial institution received this notice?

The property owner listed below owns the property located at the address above. You are the holder of a loan secured by the property.

_____ wishes to install energy efficiency, water conservation, renewable energy upgrades, or alternative energy improvements to the property using Property Assessed Clean Energy (PACE) financing mechanism administered by The Illinois Energy Conservation Authority NFP (IECA) and seeks your consent to do so.

Background on PACE in Illinois

The Illinois Property Assessed Clean Energy Act, as codified at 50 ILCS 50 (the 'PACE Act') authorizes Illinois local governments to make available PACE financing in their communities. PACE financing helps stimulate local economies by funding the upfront cost of energy efficiency, renewable energy, alternative energy, and water conservation building improvements for owners of commercial, industrial and multi-family housing property. PACE financing helps grow local economies, increase property values, and enhance sustainability.

The PACE Act authorizes local units of government (counties, cities, and villages) to establish a PACE program in their area and to appoint a program administrator to manage the PACE program. Using this authority, certain local units of government selected IECA as the program administrator for their PACE programs (the "IECA PACE Program").

With PACE, financing for qualifying projects is repaid as a property assessment, a mechanism long used to finance improvements to real property that meet a public policy objective, such as sidewalks, parks, lighting districts, and water and sewer projects. Like other assessments, PACE assessments must be current upon the sale of a property and remain with a property upon sale. As with other assessments, only PACE assessments in arrears have a lien status senior to mortgages.

The IECA PACE Program has been designed to meet the needs and concerns of Illinois' residents, property owners, and existing mortgage lenders. To qualify, the proposed project must meet the following basic criteria:

- The property is located in a PACE Area created by an Illinois local unit of government, which has adopted a Property Assessed Clean Energy resolution or ordinance establishing the IECA PACE Program.
- The property is a commercial, industrial, (non-residential) agricultural or multi-family (5 or more units) property.
- The proposed measures qualify under Illinois law.
- The proposed measures are permanently affixed to the property.
- The property is current on all municipal property tax, water, sewer, mortgage and assessment payments and neither the owner nor the property have been party to a bankruptcy within the past two years.
- There are no involuntary liens on the property and no notices of default of property-based debt have been recorded and not cured.
- Installation contractors for the project are registered with the IECA PACE Program and hold any licenses required to install the improvements.
- The proposed project meets the IECA PACE Program requirements.
- **The property owner receives consent of the current holder(s) or loan servicers of any existing mortgages.**

Why should you provide consent?

1. Measures financed through PACE should reduce building operating costs. IECA PACE project eligibility rules require that projects must reduce the property owner's energy and/or water costs by installing building improvements that enable the owner to use energy and water more efficiently and/or reduce electricity purchased by installing renewable energy systems. The IECA PACE Program further stipulates that a qualified professional must complete an energy assessment, which documents the monetary savings that the project may achieve through reduced energy and water costs. By reducing utility expenses and leveraging extended repayment terms, PACE projects may generate positive net operating income for properties, thereby increasing the value of the asset securing your financial institution's mortgage.
2. PACE Assessment installment payments do not accelerate. In the event the mortgage holder forecloses on the property for any reason, only the amount of the PACE assessment currently due and/or in arrears (likely a relatively small proportion of the total PACE financing amount) would be due. In the event of a property sale, the residual unpaid PACE financing transfers to the new property owner.
3. Measures financed through PACE improve properties, often reducing maintenance and repair costs. In addition, energy efficiency, water conservation and renewable energy measures improve the efficiency, health, and comfort of a building, making it more attractive to tenants and future owners.

What should your financial institution know?

_____ has indicated its intention to apply for PACE financing for improvements outlined in **Appendix B** on the property listed above. The Assessment is to be levied on the property pursuant to an agreement between the property owner and the local unit of government. Upon recording of the PACE Assessment, all existing mortgage debt on the property will be subordinate to the PACE Assessment. The local unit of government, or its

permitted assignee, can foreclose the PACE assessment encumbering the property if the PACE Assessment is not paid.

The related payment terms are proposed to consist of the following:

Total cost of improvements: _____
Utility rebates/incentives: _____
Maximum total PACE financing principal amount requested: _____
(Actual PACE financing may be less than this amount):
Annual interest rate not to exceed: _____
Term of repayment period: _____
Maximum annual assessment: _____
(Actual annual assessment may be less than this amount)
Payments per year: _____

Estimated Benefits Energy Savings, If Applicable Improvements

Based on a recently prepared energy assessment, the following cash flow savings (as a result of the installation of the approved improvements and using the assumptions noted in the calculator) are expected to accrue to the property.

Electric, Water, and Fuel Bill Savings: \$ _____

Other Savings (specify): _____

- a. Federal Investment Tax Credit = \$ _____
- b. C-PACE Interest Deduction (cash value @ 35% tax rate) = \$ _____
- c. Depreciation Cash Impact (cash value @ 35% tax rate) = \$ _____
- d. Operations and Maintenance Savings = \$ _____

Total Estimated Annual Savings: \$ _____

NOTE: The savings noted above represent estimates based on the assumptions contained in the [Building Owner's engineer's] Energy Assessment.

Purpose of this Notice. As required by the Illinois PACE Act and the IECA PACE Program, _____ is sending this Notice of Proposed PACE Assessment and the Lender Acknowledgement to PACE Assessment Contract below to Lender to (i) provide notice of _____ proposed participation of the property above in PACE financing; (ii) request confirmation from you (the current mortgage lender) that the levy of the PACE Assessment pursuant to the PACE Assessment Contract will not trigger an event of default or the exercise of any remedies under the Loan documents, (iii) identify the maximum principal amount of the PACE financing, (iv) identify the maximum annual assessment amount necessary to repay the maximum principal amount, (v) provide notice that all existing mortgages encumbering the property will be subordinate to the PACE assessment, (vi) provide notice that the Assessment will be collected in installments and is subject to the same penalties, remedies and lien priorities as real property taxes and that the local unit of government or its permitted assignee may foreclose the assessment lien encumbering the property if the assessment is not paid, and (vii) declare the _____'s agreement to pay on a timely basis both the existing obligations secured by the property (including the Loan) and the proposed Assessment.

Execution and Return of Consent. The Property Owner would appreciate your financial institution executing the attached Lender Consent to Proposed Assessment and returning it to the undersigned at your earliest convenience.

Very truly yours,

BY: (signature): _____

PROPERTY OWNER NAME: _____

MAILING ADDRESS: _____
(if different than Property address):

Lender Acknowledgement to Contractual Property Assessed Clean Energy (PACE) Assessment Contract

Date: _____

Property/Loan Information

Building Address: _____

Tax key/Parcel: _____

Mortgage Holder: _____

Loan Number: _____

This Lender Acknowledgement to Property Assessed Clean Energy (“PACE”) Assessment Contract (“Acknowledgement”) is given by the undersigned entity (the “Lender”) with respect to the above referenced loan (“Loan”) and the above referenced property (“Property”) in relation to the PACE program administered by The Illinois Energy Conservation Authority NFP (IECA).

RECITALS

- A. Lender is in receipt of written notice (“Notice”) from the owner of the Property (“Property Owner”) that the Property Owner intends to finance the installation on the Property of certain energy efficiency, renewable energy, alternative energy, or water conservation improvements that will be permanently fixed to the Property (“Authorized Improvements”) by participating in a PACE program administered by IECA (the “IECA PACE Program”).
- B. The maximum principal amount of the PACE assessment will be \$_____ and the maximum annual assessment necessary to repay the maximum principal amount will be \$_____.
- C. Lender understands that, as a result of an agreement between the local unit of government and the Property Owner, a contractual PACE Assessment (“PACE Assessment Contract”) will be recorded against the Property, and that the PACE Assessment Contract will be repaid in Semi-Annual installments according to the terms of the PACE Assessment Contract. The form of PACE Assessment Contract is included in Appendix A herein.
- D. Lender verifies that it received the Notice 30 days prior to executing the PACE Assessment Contract.
- E. The Property Owner has agreed in a manner acceptable to Lender to pay on a timely basis both the existing obligations secured by the Property (including the Loan) and the proposed PACE Assessment Contract.
- F. The Lender consents to the Property Owner’s participation in the IECA PACE Program, including but not limited to the recording of a PACE Assessment Contract against the Property.

ACKNOWLEDGEMENT

The undersigned hereby represents that it is authorized to execute this Acknowledgement on behalf of the Lender. The Lender hereby (i) confirms that it has received the Notice, (ii) acknowledges the levy by the local unit of government of the PACE Assessment Contract pursuant to the terms of the PACE Assessment Contract to which a) the Lender's mortgage will be subordinate to the lien of the Assessment Contract and b) the remedy for failure of the property owner to pay the assessment as required under the Assessment Contract is foreclosure and (iii) agrees that the recording of the PACE Assessment Contract will not constitute an event of default or trigger the exercise of any remedies under the Loan documents. The Lender hereby acknowledges that the Property Owner and the local unit of government will rely on the representation and acknowledgement of the Lender set forth in this Acknowledgement. The Recitals are integrated into and made a part of this Acknowledgment.

Lender:

By:

Signature:

Title:

Date:

Appendix A: Form of PACE Assessment Contract

Appendix B: Description of Improvements to be Installed