

Request for Lender Consent and Notice of Proposed PACE Special Charge

Notice Date:

Lender Address

Lender:

Street:

City/State/Zip Code:

ATTN:

Property/Loan Information:

Address:

Loan Number:

Why has the bank 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.

[Building Owner] wishes to install energy efficiency, water conservation or renewable energy upgrades to the property using Property Assessed Clean Energy (PACE) financing mechanism established by the Wisconsin PACE Commission and seeks your consent to do so.

Background on PACE in Wisconsin:

Wisconsin Statute § 66.0627(8) authorizes Wisconsin 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, 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 enhanced sustainability. .

Wisconsin counties and municipalities utilized their joint exercise of powers authority under Wisconsin Statute § 66.0301 to form the Wisconsin PACE Commission. PACE Commission members adopted a Model PACE Ordinance and delegated to the PACE Commission the ability to operate PACE Wisconsin: Wisconsin's uniform statewide PACE program available in each member's jurisdiction.

With PACE, financing for qualifying projects is repaid with a special charge, 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 special charges, PACE special charges must be current upon the sale of a property and remain with a property

upon sale. As with other special charges, only PACE special charges in arrears have a lien status senior to mortgages.

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

- The property is located in a Wisconsin county that has passed a resolution authorizing execution of the Joint Powers Agreement, a model ordinance, and joined the Wisconsin PACE Commission.
- The property is a commercial, industrial, or multi-family (5 or more units) property
- The proposed measures reduce energy consumption, water consumption, and/or increase the production of on-site renewable energy
- The proposed measures are permanently affixed to the property
- The property is current on all municipal property tax and assessment payments
- The proposed project meets the PACE Wisconsin program requirements.
- **The property owner receives consent of the current mortgage holder(s)**

Why should you provide consent?

1. Measures financed through PACE should reduce building operating costs. Through the project eligibility requirements PACE Wisconsin has established to qualify Large PACE projects, a proposed project must have a Savings to Investment Ratio (SIR) greater than one, with SIR defined as energy savings over the project lifetime greater than the total eligible (including financing and closing costs) project investment cost. For example, if the total eligible project investment cost is \$1.5 million and the project (loan) timeframe is 15 years, then the energy savings must be greater than \$100,000 per year on average. As required by PACE Wisconsin, a third-party professional engineer will confirm SIR assumptions prior to closing the financing.
2. PACE Special Charge installment payments do not accelerate. In the event the mortgage holder forecloses on the property for any reason, only the amount of the PACE special charge 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 you know?

[**Building owner**] has indicated its intention to apply for PACE financing for improvements outlined in **Appendix B** on the property listed above. The Special Charge is to be levied on the property pursuant to an agreement between the property owner, PACE Wisconsin, and the funding source for the PACE improvements. The related payment terms are proposed to consist of the following:

Total cost of improvements:

Utility rebates/incentives:

Total PACE financing requested:

Annual interest rate not to exceed:

Term of repayment period:

Total estimated annual installment:

Payments per year:

Estimated Benefits of the Improvements:

Based on a recently prepared energy savings estimate, 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 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) = \$**

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. In order to close PACE financing, a third party professional engineer must confirm that the projected Savings to Investment Ratio will be greater than one prior to a "Large" PACE Project's approval by the Wisconsin PACE Commission.

Purpose of this Notice. As required by the PACE Wisconsin program, **[Name of Property Owner]** is sending this Notice of Proposed PACE Special Charge and the Lender Acknowledgement to Contractual PACE Special Charge below to Lender to (i) provide notice of **[Building owner's]** proposed participation of the property above in PACE financing; (ii) request confirmation from you (the current mortgage lender) that the levy of the PACE Special Charge pursuant to the PACE Special Charge and Financing Agreement will not trigger an event of default or the exercise of any remedies under the Loan documents, (iii) provide notice that the Special Charge will be collected in installments and is subject to the same penalties, remedies and lien priorities as real property taxes and (iv) declare the **[Name of Property Owner]**'s agreement to pay on a timely basis both the existing obligations secured by the property (including the Loan) and the proposed Special Charge.

Execution and Return of Consent. The Property Owner would appreciate you executing the attached Lender Consent to Proposed Special Charge 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 PACE Special Charge

Date:

Property/Loan Information

Building Address:

Tax key/Parcel:

Mortgage Holder:

Loan Number:

This Lender Acknowledgement to Contractual Property Assessed Clean Energy (“PACE”) Special Charge (“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 operated by the Wisconsin PACE Commission (the “Commission”).

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 or water conservation improvements that will be permanently fixed to the Property (“Authorized Improvements”) by participating in a PACE program sponsored by the Commission (the “Program”).
- B.** Lender understands that, as a result of an agreement between the Commission and the Property Owner (“PACE Special Charge and Financing Agreement”), the contractual PACE Special Charge (“Contractual PACE Special Charge”) described in the PACE Special Charge and Financing Agreement will be levied on the Property, and that the Contractual PACE Special Charge will be collected by the Commission directly according to the terms of the PACE Special Charge and Financing Agreement. The form of PACE Special Charge and Financing Agreement is included in Appendix A herein.
- C.** 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 Contractual PACE Special Charge.
- D.** The Lender consents to the Property Owner’s participation in the Program, including but not limited to the levy of a Contractual PACE Special Charge on the Property.

[Continued on next page]

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 Commission of the Contractual PACE Special Charge pursuant to the terms of the PACE Special Charge and Financing Agreement and (iii) agrees that the levy of the Contractual PACE Special Charge 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 Commission 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:

In witness whereof, _____ has caused its name to be signed this _____ day of

_____, _____.

By: _____

_____, _____

Appendix A: Form of PACE Special Charge and Financing Agreement