

MILWAUKEE PACE PROGRAM

- Theoretical Project of \$1M
- Commercial June 1, 2013
- Financed at 7% for 10 Years

Table 1: PACE Program Step-by-Step Process

	Date	Parties	Action	Documents/Notes
1.	2/1/13	Owner ESCO	<ul style="list-style-type: none"> - Owner Initiates Contact with ESCO - Define Project and Owner Criteria 	<ul style="list-style-type: none"> - Confidentiality Agreement - Walk Through Audit Report (a/k/a Ashrae Level I Report)
2.	3/1/13 Start Audit 5/1/13 Finish Audit (sometimes this process takes 6 months)	Owner ESCO	<ul style="list-style-type: none"> - Perform Investment Grade Audit (IGA) (a/k/a Ashrae Level II) - Evaluate the results - Define a final project - Calculate costs and energy savings - Draft Energy Performance Contract 	<ul style="list-style-type: none"> - Energy Audit Agreement - Draft Energy Performance Contract
3.	5/1/13	Owner PACE Lender Existing Lender	<ul style="list-style-type: none"> - Owner Contacts PACE Lender - Owner Contacts Existing Lender - Procure Commitment Letter from PACE Lender - Procure Consent from Existing Lender 	<ul style="list-style-type: none"> - PACE Lender's Commitment Letter - Written Consent from Existing Lender - Takes 60-90 days for some Existing Lenders
4.	5/1/13	Owner City	<ul style="list-style-type: none"> - File Application - Draft Supplemental Financing Loan Agreement 	<ul style="list-style-type: none"> - Application - Draft Supplemental Financing Loan Agreement - IGA
5.	6/1/13	Owner ESCO	<ul style="list-style-type: none"> - Sign Energy Performance Contract 	<ul style="list-style-type: none"> - Energy Performance Contract with Guaranty

6.	6/1/13	Owner PACE Lender City	- Sign Supplemental Loan Agreement	- Supplemental Loan Agreement - City Attorney Opinion
7.	6/1/13	Owner PACE Lender	- Sign PACE Lender Loan Documents	- Loan Documents - Note - Loan Agreement - Construction Disbursement Agreement
8.	6/1/13 Creation of Special Charge	City	- Special Charge on tax roll includes <u>all principal-and,</u> interest <u>and other charges and fees</u>	- Total Special Charge -- \$1,423,775 Plus \$46,070 for additional interest to cover tax payment if Owner elects to pay annual taxes and special charges over 10 months <u>each year</u> FOR 10 YEARS - Annual Installment -- \$142,377.50 Plus \$4,607 in interest for 10 installment election
9.	6/1/13 Loan disbursed to a Trustee Bank	PACE Lender Trustee Bank	- Sign Disbursement Agreement and Trustee bank disburses to ESCO	- Disbursement Agreement
10	10/1/13 Complete construction	Owner ESCO PACE Lender	- ESCO completes construction - Trustee Bank makes final disbursement of funds - Project completion	- Lien Waivers
11	Early December	Owner City	- City adds Special Charge for Annual Installment to tax bill	
12	3rd Monday in December	Owner City	- City sends tax bill to Owner	- Tax Bill
13	1/31/14	Owner City	- Owner pays taxes and special charges <u>annual installment of Special Charge</u> to City in 10 <u>monthly</u> installment payments (See Schedule 12A for process for 10 installments)	
14	{Date—Will depend on <u>30 days after City</u> } <u>receives Special</u>	City PACE	- City remits the special charge money received from Owner to PACE Lender	

		Charge					
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Schedule 12A: Installment Payments

- Annual Installment of \$142,377.50 plus \$4,607 for Interest at 7% on 10 Installment Amount = \$146,984.50

	31- Ja n	28/29-Feb	31-Mar	30-Apr	31-May	30-Jun
Special Charge	\$1 4,6 98. 45 ¹	\$14,698.45	\$14,698.45	\$14,698.45	\$14,698.45	\$14,698.45
Remit to Lender		\$14,698.45 2	\$14,698.45	\$14,698.45	\$14,698.45	\$14,698.45

	31- Jul	31-Aug	30-Sep	31-Oct	30-Nov	31-Dec	Total
Special Charge	\$1 4,6 98. 45	\$14,698.45	\$14,698.45	\$14,698.45			\$146,984.50
Remit to Lender	\$1 4,6 98. 45	\$14,698.45	\$14,698.45	\$14,698.45	\$14,698.45		\$146,984.50

¹ Under Section 74.87(3), general property taxes, special charges and special assessments may be collected in 10 equal installments without interest. However, interest at 7% on \$142,377.50 (\$4,607) has been added to this amount.

² This table assumes that the City will remit payments to the PACE Lender 30 days after receipt. [If the City agrees to repay the PACE Lender in monthly installments, it may prefer that the first repayment be due on February 28/29, rather than January 31.]

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Table 2: Delinquent Tax Collection Procedure

	Date	Parties	Action	Notes
1	1/31/14 - 8/31/14	Owner City	Owner fails to pay two monthly installment payments.	City declares all unpaid property taxes, including the Annual Installment of the Special Charge, delinquent from February 1 of the tax collection year. Interest and penalties accrue as of February 1.
2	Within 30 days after owner misses its lump sum payment or its second installment payment.	City PACE Lender	City pays the amount of the Annual Installment to PACE Lender from Better Building Grant Fund. (Option: Use Better Building Grant funds for one-time payment of legal fees for amending the program and allocate the remainder of such funds to cash grant program.)	
<u>3</u>	9/1/14 ³	Owner City	City issues tax certificate that includes all property taxes that remain unpaid as of August 31.	City mails notice to the Owner within 90 days (that is, by 11/30/14).
<u>4</u>	9/1/14 ⁴	City PACE Lender	City transfers its right to the tax certificate revenues relating to special charges to the PACE Lender	Both the transfer of the City's rights to the tax certificate revenues and the Supplemental Financing <u>Loan</u> Agreement will entitle the PACE Lender to payments of special charges along with interest and penalties

³ This timeline assumes that the Owner misses two of its first eight installments. If the Owner misses its second installment after August 31, the tax certificate will not be issued until the following September 1, moving the remaining actions back by one year.

⁴ The ~~Financing~~ Supplemental Loan Agreement or the Ordinance should require the City to transfer tax certificate revenues arising from the Special Charge to the PACE Lender as soon as possible after the tax certificate is issued.

54	After 9/1/15 (earliest) and before 3/1/16 (latest) ⁵	Owner City	City treasurer may file list of parcels subject to tax certificates with the city clerk ⁶	Treasurer publishes a notice of commencement of in rem proceedings
65	Eight weeks after filing. After 10/27/15 (earliest) and before 5/1/16 (latest)	Owner City	Redemption period for in rem proceeding ends	
76	Estimated between 10/27/15 (earliest) and 6/1/16 (latest)	City	Court renders final judgment vesting the City with fee simple ownership of property	- City may begin marketing the property. - Period for homeowner to request vacation of in rem judgment begins.
87	Within 90 days after the judgment. Approximately between 1/25/16 (earliest) and 8/30/2016 (latest)	Owner City	Owners may apply to the city treasurer for vacation of the in rem judgment.	City can deny the request if the request a) is received after 90 days following the judgment, b) if the City has accepted an offer to purchase the property, or c) if the requester does not have any interest of record.
98	Estimated 8 mos. after judgment. Approximately between 6/27/16 (earliest) and 2/1/17 (latest)	City	City markets and sells the property subject to annual installments of special charge not yet due and payable.	City can convey the property to the PACE Lender or allow the PACE Lender to market the property (specific terms need to be included in the Supplemental Loan Agreement [or Ordinance]).

⁵ City currently forecloses batches of properties three times per year.

⁶ This timeline assumes that the City would agree to wait only the statutory minimum 12-month period before filing rather than its practice of waiting 36 months. See Table 1 for a monthly chart of the optional in rem property tax foreclosure scenarios.

10 <u>9</u>	After sale of property	City PACE Lender	<p>City distributes the proceeds of the sale as follows:</p> <p>1) costs of the sale; <u>Sale and Foreclosure Costs (e.g. maintenance, legal, advertising, title insurance, etc.);</u> 2) broker's fees; <u>Brokers' Fees;</u> 3) special <u>Special</u> charges or <u>and special</u> assessments that the City paid to other jurisdiction; <u>4) prorated (prorated if not sufficient to satisfy all special charges and special assessments);</u> and charges to each taxing jurisdiction 4) <u>Delinquent Property Taxes</u></p>	<p>It is not expected that Special Charges would be imposed against the property by other taxing jurisdictions. As such, we should try to get the City to <u>The City should</u> agree in the Financing Statement <u>Supplemental Loan Agreement</u> to pay the and <u>the</u> PACE special charges (in this case, ————— <u>\$1,423,775.00</u>⁷ less amounts distributed from the Better Building Grant Fund which is used to replenish the Fund ————— <u>(\$ 142,377.50)</u> plus penalties and interest at 1.5% per month⁸ for delinquent annual installments (plus interest at 1.5% per month⁷ ————— <u>\$ 1,009,655.15</u>⁹) in the specific order referenced in this Item 9. The amount of the special charges plus interest would be as follows:</p> <p><u>\$1,755,408.63</u>⁸ (1,423,775 2/1/14 annual installment + 1.5% interest for 3 years) <u>\$1,637,065.06</u> (1,423,77 2/1/15 annual installment + 1.5% interest for 2 years)</p>
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⁷ ~~This example assumes that the first annual charge payment (lump sum or 2 of the first 8 installments) were not paid and therefore, penalties and interest accrue from 2/1/14 and we are not adding the \$46,070 interest for the 10 installment payments assumed to be elected for 10 years.~~

⁸ Under Section 74.47(1), the interest rate on delinquent special charges is one percent per month or fraction of a month. In accordance with Section 74.47(2)(a), the Milwaukee Common Council has passed Milwaukee City Ordinance 304-38, which imposes a penalty of 0.5% per month, or fraction of a month, on any delinquent special charges included in the tax roll.

⁸ This example assumes that the first annual installment payment (lump sum or 2 of the first 8 installments) were not paid and therefore, penalties and interest accrue from 2/1/14 and we are not adding the \$46,070 interest for the 10 installment payments assumed to be elected for 10 years.

					<p><u>\$1,526,699.81</u> (1,423,775 2/1/16 annual installment + 1.5% interest for 1 year)</p> <p><u>\$4,919,173.50⁹</u></p> <p>\$ 2,291,052.65)</p> <p>before any other special charges or assessments imposed by the City.</p> <p>MOST PACE LENDERS prefer that the Special Charge payments <u>shall</u> not be accelerated and would like the remaining Special Charge to<u>shall</u> be re-imposed on the property at the time the City transfers the property.</p>
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⁹ This figure represents 1.5% per month in interest and penalties compounded monthly on the full amount of the delinquent annual installment of special charge for three years (e.g., 2/1/14 to 2/1/17)- ~~for the annual installment due 2/1/14, two years for the annual installment due /1/15 and one year for the annual installment due 2/1/16.~~ This figure will vary depending on how many payments the Owner makes before the special charges become delinquent.

TABLE 1		
<u>24 Mos. Tax Certificate Holding Period</u>	<u>Description</u>	<u>Optional 12 Mos. Tax Certificate Holding Period on Non-Residential</u>
7	7 mos. from January 31	7
24 ¹⁰	Tax Certificate Holding Period	12
6	Estimated time for City to file foreclosure	6
2	Redemption period after filing of foreclosure ¹¹	2
3	Quasi redemption period after foreclosure completed ¹²	3
<u>6</u>	Estimated time after foreclosure redemption period to market and sell property	<u>6</u>
48 ¹³		36

¹⁰ Currently, the City is taking an additional 12 months before bringing the tax certificate foreclosure process, which would make the holding period 36 months and the overall start to finish estimate 60 months.

¹¹ Eight weeks after notice, Section 75.521(6).

¹² This is a “period to request a vacation of the *in rem* judgment.” The City gets fee simple title from the final judgment. Interest holder of record can request to vacate judgment for up to 90 days after judgment and has to pay all costs and back taxes, but no request can be made if the City has an offer to purchase the property. Milwaukee Ordinance 304-50(1)(b)

¹³ This could be 60 months. See Footnote ~~4-10~~.

Document comparison by Workshare Professional on Tuesday, March 26, 2013 5:50:09 PM

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Document 2 ID	D:\Documents and Settings\elotzia\My Documents\NDEcho\PACE Program Step-by-Step(2).doc
Description	D:\Documents and Settings\elotzia\My Documents\NDEcho\PACE Program Step-by-Step(2).doc
Rendering set	standard

Legend:	
<u>Insertion</u>	
Deletion	
Moved from	
<u>Moved to</u>	
Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:

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Insertions	48
Deletions	49
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	97