CITY COUNCIL AGENDA ITEM

February 1, 2016

TO: Brian Kischnick, City Manager

FROM: Mark F. Miller, Director of Economic and Community Development
Glenn Lapin, Economic Development Specialist

SUBJECT: Public Hearing: Adoption of Property Assessed Clean Energy (PACE) Program

City Council adopted a Resolution of Intent at the January 25, 2016 City Council Meeting. Detailed program information is provided in the attachments.

Program Overview

PACE is an innovative economic development financing tool that encourages energy efficiency, water efficiency and renewable energy measures for commercial and industrial properties. Through a property special assessment process, PACE enables up to 100% financing, 15 to 20 year terms and positive cash flow for the life of the project by guaranteeing payment on the financing. If the borrower defaults on a loan payment, the local unit places a lien against the property through a special assessment, guaranteeing eventual payment to the lender. Local government approval is required by State legislation in order to implement the PACE Program.

Economic Development Advantages

In an environment of limited State and Local economic development tools available to encourage property owners to improve properties, the PACE program offers an innovative financing mechanism at no direct cost to the City or its taxpayers. State legislation enables local governments to either create its own PACE program or partner with a third party (i.e. Levin Energy Partners) to administer the program. By having a third party administer the program, there would be no cost to the City and there would be no contractual term or commitment to use any specific third party administrator.

Heller Machine Tools, a long time major Troy employer located at 1225 Equity Drive, is planning improvements to its facility. A local PACE policy, if implemented, would be of significant assistance to Heller and potentially other property owners as they seek ways to finance energy efficiency improvements. Other companies have been inquiring about the program. Encouraging energy efficiency improvements is good for the City of Troy as it can increase property values, expand the tax base, make properties more marketable for today's energy conscience users and improve owner/tenant satisfaction.

CITY COUNCIL AGENDA ITEM

Recommendation

City administration recommends to City Council that a Resolution of Adoption for the PACE Program be approved.

_____ _____

City Attorney's Review as to Form and Legality Date

Attachments

1. January 22, 2016 PACE Program Memo
2. Levin Energy Partners PACE presentation
3. City of Troy PACE Program Report
4. PACE Program One Page Summary
5. PACE Program Step-by-Step Summary
6. Copy of Notice of Public Hearing
7. Resolution of Adoption to Establish a Property Assessed Clean Energy Program

CITY COUNCIL REPORT

January 22, 2016

TO: Brian Kischnick, City Manager

FROM: Mark F. Miller, Director of Economic and Community Development
Nino Licari, City Assessor
Glenn Lapin, Economic Development Specialist

SUBJECT: Property Assessed Clean Energy (PACE) Financing Program

PACE is an innovative economic development financing tool that encourages energy efficiency, water efficiency and renewable energy measures for commercial and industrial properties. Comprehensive energy efficiency upgrades can take up to 20 years to pay back, making financing for much needed energy efficiency improvements difficult with traditional financing terms. Through a property special assessment process, PACE enables up to 100% financing, 15 to 20 year terms and positive cash flow for the life of the project by guaranteeing payment on the financing. If the borrower defaults on a loan payment, the local unit places a lien against the property through a special assessment, guaranteeing eventual payment to the lender. Troy City Council is being asked to consider implementing a local Troy PACE program.

Heller Machine Tools, a long time major Troy employer located at 1225 Equity Drive, is planning improvements to its facility. Many of the proposed improvements relate to energy efficiency. Heller is working with the Troy office of ABM Building Solutions and Levin Energy Partners to develop a building improvement and financing strategy. Representatives from Heller, Levin Energy Partners and ABM Building Solutions presented the PACE program to the Troy Downtown Development Authority on December 2, 2015 and feedback was positive. A motion was made by the DDA to support the concept of adopting a local PACE program with further investigation by staff. A local PACE policy, if implemented, would be of significant assistance to Heller and potentially other property owners as they seek ways to finance energy efficiency improvements. Encouraging energy efficiency improvements is good for the City of Troy as it can increase property values, expand the tax base, make properties more marketable for today's energy conscience users and improve owner/tenant satisfaction.

In an environment of limited State and Local economic development tools and tax incentives available to encourage property owners to improve properties, the PACE program offers an innovative financing mechanism at no direct cost to the City or its taxpayers. State legislation enables local governments to either create its own PACE program or partner with a third party (i.e. Levin Energy Partners) to administer the program. By having a third party administer the program, there would be no cost to the City and there would be no contractual term or commitment to use any specific third party administrator.

CITY COUNCIL REPORT

The State of Michigan has enabled local communities to implement PACE programs. The nearby communities of Bloomfield Township, Ferndale, Pleasant Ridge, Rochester Hills, Royal Oak and Southfield have implemented PACE programs. Enacting a local PACE program is set forth by Public Act No. 270 of 2010 which authorizes local units of government to adopt PACE programs to promote the installation of energy efficiency improvements and renewable energy systems by owners of commercial or industrial property within a district designated by the local unit of government. Act 270 allows private commercial lenders to finance energy projects; authorizes local units of government to issue bonds, notes and other indebtedness; and authorizes the assessment of properties for the cost of the energy projects. However, City management does not recommend the authorization of bonding and other indebtedness for PACE programs in the City of Troy. Act 270 provides for repayment to the local unit of government or the private lender through a voluntary property assessment. The property assessment remains with the property and has the same priority as other property tax and assessment liens in the event of foreclosure.

In order for Troy to implement this program, City Council is being asked to consider the following steps:

1. Passage of a Resolution of Intent
2. Hold a Public Hearing
3. Passage of a Resolution of Adoption

Representatives from Levin Energy Partners, ABM Building Solutions and Heller Machine Tools are scheduled to make a presentation to City Council at its January 25, 2016 meeting. They will be available to answer any questions as well.

Recommendation

If City Council decides to move forward with the implementation of a Troy PACE Financing Program then passage of a Resolution of Intent, scheduling of a Public Hearing and subsequent consideration of a Resolution of Adoption are required. City management does not recommend the authorization of bonding and other indebtedness for PACE programs in the City of Troy.

_____ _____

City Attorney's Review as to Form and Legality Date

Attachments

1. Levin Energy Partners PACE presentation.
2. City of Troy PACE Program Report.
3. Resolution of Intent to Establish a Property Assessed Clean Energy Program and Calling Public Hearing.

Lean & Green Michigan™ and Property Assessed Clean Energy (PACE)

A Financing Breakthrough
End Energy Waste with Positive Cash Flow

Cory Connolly
cory@levinenergypartners.com

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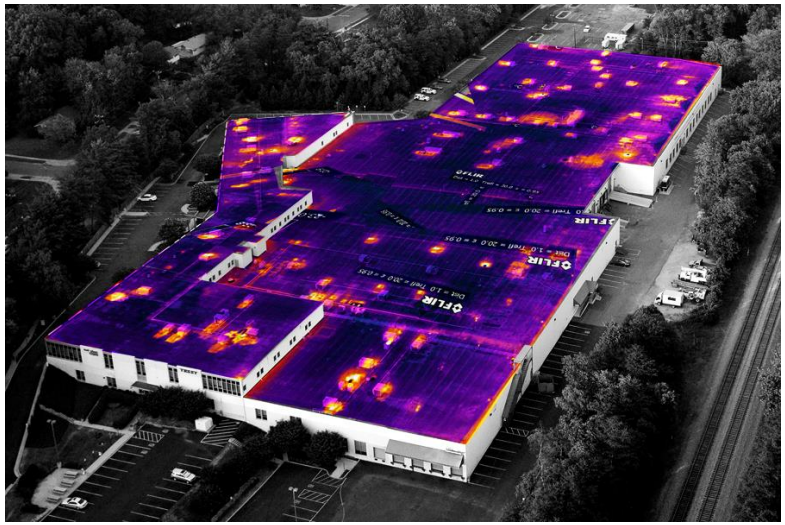
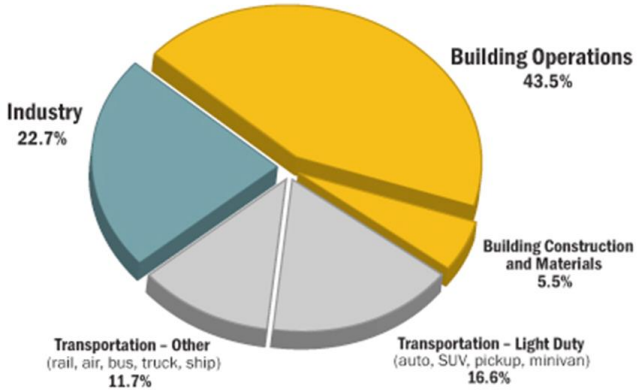
The Situation

- Buildings use 40-45% of energy in the United States
- 30% of that energy (and expense!) is wasted!
- Massive investment opportunity in commercial building stock





U.S. Energy Consumption by Sector

Source: ©2010 2030, Inc. / Architecture 2030. All Rights Reserved.
Data Source: U.S. Energy Information Administration (2009).

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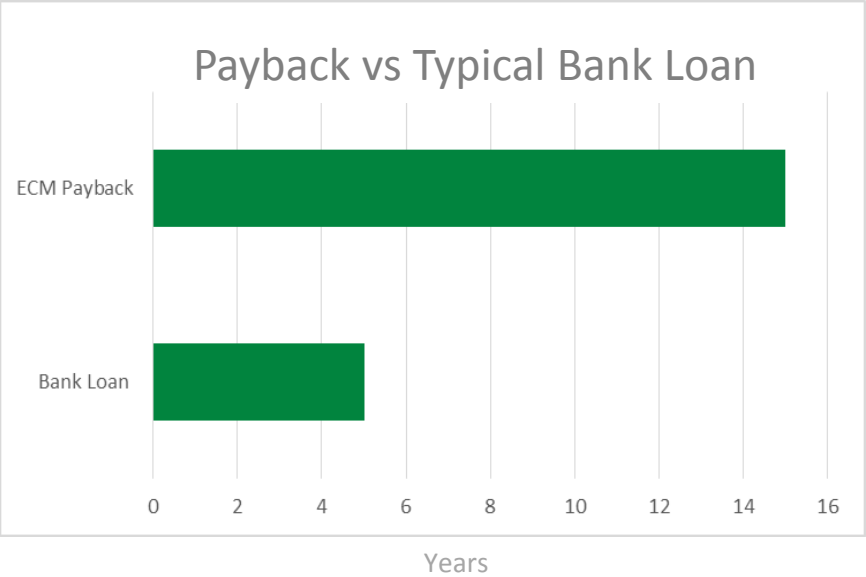
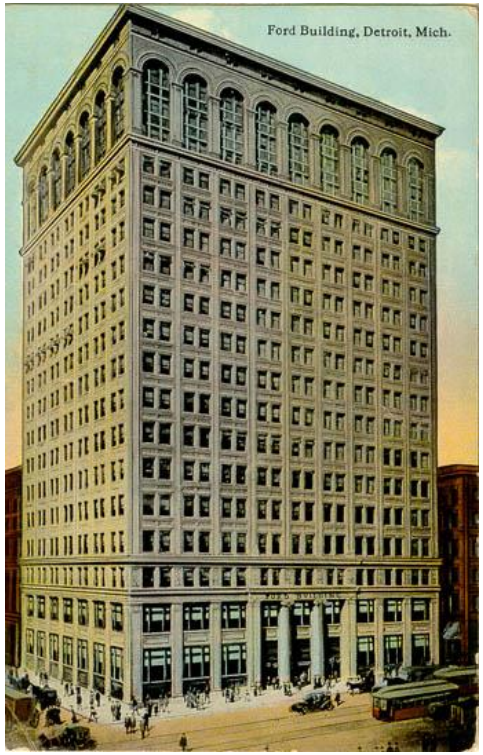
The Problem

- Comprehensive energy efficiency upgrades take 5-20 years to pay back
- So businesses keep wasting energy and money!





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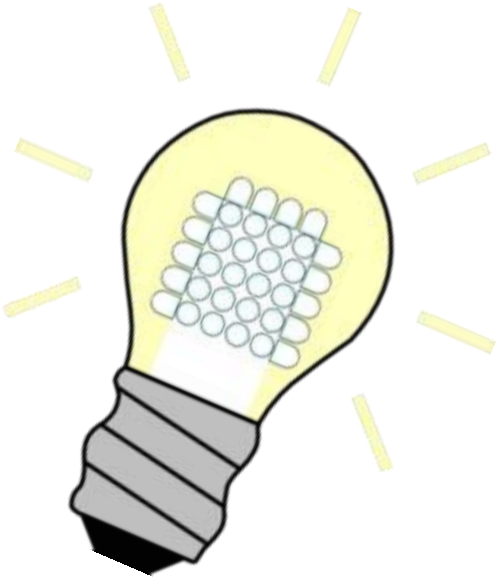
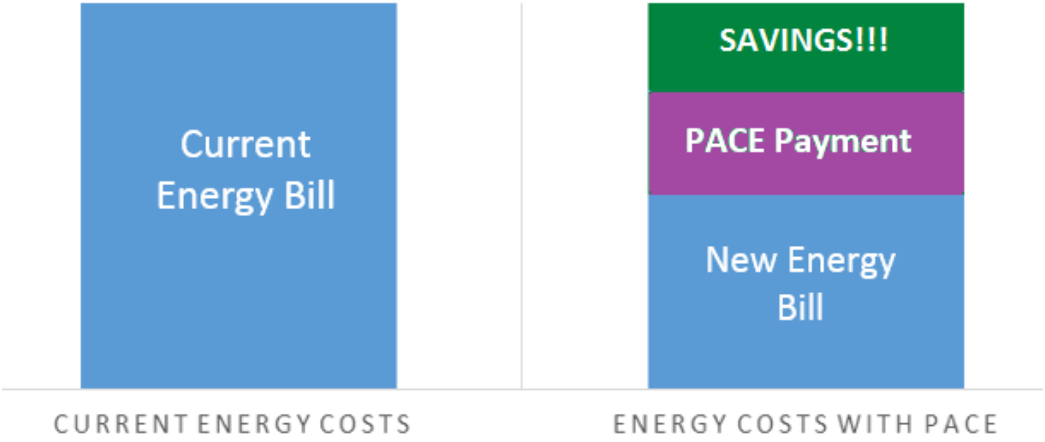
The Solution

Property Assessed Clean Energy (PACE)

- Financing through property tax special assessment enables:
  - 100% financing
  - 15-20 year terms
  - Positive cash flow for life of the project



Positive Cash Flow!!



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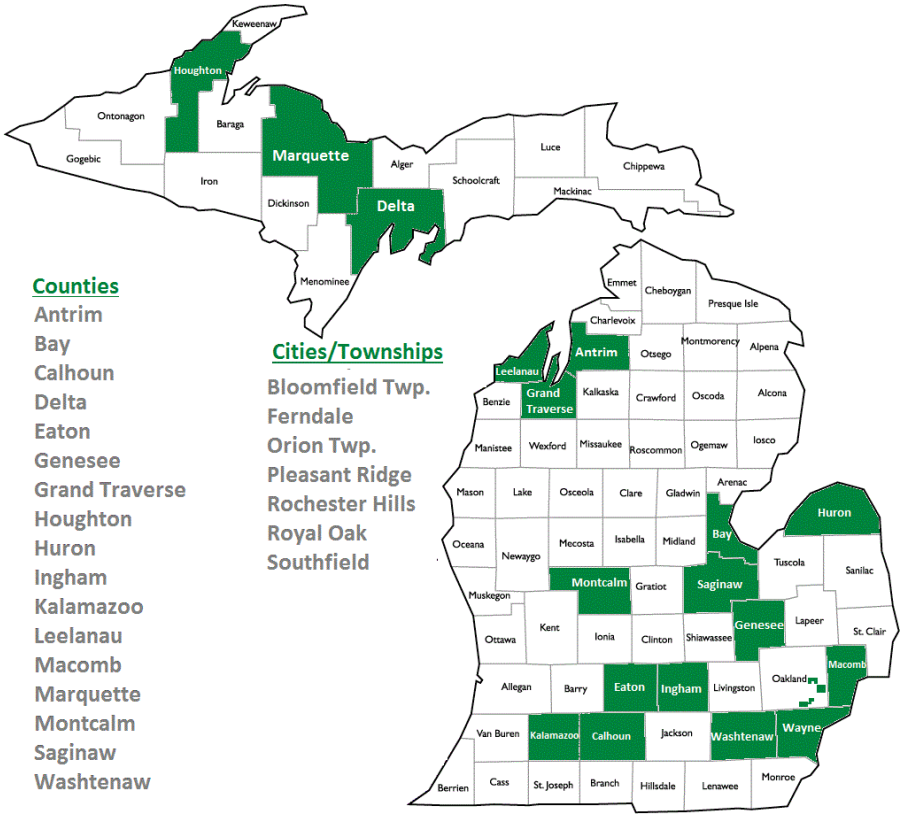
Lean & Green Michigan

- A statewide PACE marketplace
- Available to all Michigan counties and cities at *no taxpayer expense*
- Uses private capital to unleash the market
- Growing quickly – one new local government per month in 2015



Counties

Antrim
Bay
Calhoun
Delta
Eaton
Genesee
Grand Traverse
Houghton
Huron
Ingham
Kalamazoo
Leelanau
Macomb
Marquette
Montcalm
Saginaw
Washtenaw

Cities/Townships

Bloomfield Twp.
Ferndale
Orion Twp.
Pleasant Ridge
Rochester Hills
Royal Oak
Southfield

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Lean and Green Michigan

- 18 Counties
- 7 Cities or Townships
- 52% of the State's Population

Eligibility

- Commercial, industrial, multifamily and non-profit buildings
- Not single family homes or government buildings
- Energy efficiency, water efficiency and renewable energy measures and related costs

- Examples
  - Insulation
  - Windows
  - Doors
  - Heating, cooling and A/C
  - Lighting
  - Efficient manufacturing
  - Wind
  - Solar
  - Geothermal
- No incinerators or digesters

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The Outcome

Comprehensive projects that package together energy efficiency, water efficiency and renewable energy improvements to transform buildings and businesses into energy stars!

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Michigan Public Service Commission/Michigan Agency for Energy Building

- Solar, lighting, variable speed motors
- About $450,00 in upgrades
- Over $800,000 in lifetime savings
- Delta Township, Eaton County

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Powers Distributing

- Solar installation & lighting upgrades
- About $450,000 of work
- Over $1,000,000 in lifetime savings
- Orion Township

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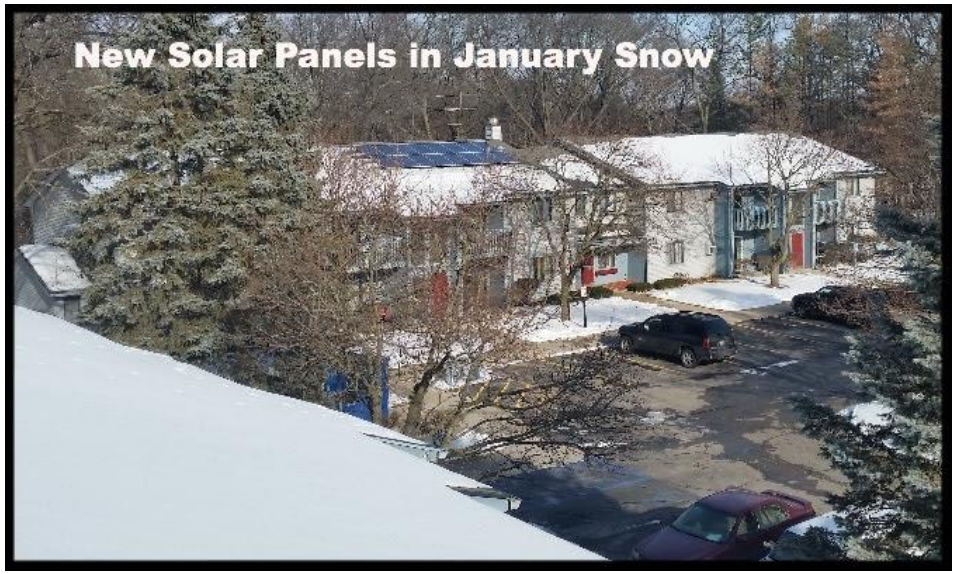
Cambridge Court Apartments



- Solar installation, lighting upgrades, low-flow plumbing, high-efficiency boilers
- About $115,000 in PACE financing
- Over $300,000 in lifetime savings
- Greenville, Montcalm County

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Economic Development

- Property owners
  - Save money, get green PR
- Contractors
  - Get a new way to close more and bigger deals
- Local government
  - Improved business climate
  - Free economic development tool
  - Green PR

- Market opportunity
  - Commercial building owners to invest almost $1 trillion in efficiency through 2023
- 7 percent average annual growth

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Source: Navigant Research, cited in Forbes Tech, 12/30/2014

What about the City of Troy?

- Heller Machine Tool has a real project in the works
- ABM is currently working with the company to develop the best possible project
- Benefits to Troy include improved tenant/business satisfaction, an updated local building stock, and another tool in the tool belt for contractors to use to sell projects

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Why name an administrator?

- **PA 270 of 2010 –** Local government can create its own PACE program or partner with a third party.
- **No cost to City or taxpayers –** *Not* naming a third-party administrator would mean that the City of Troy picks up the tab for the PACE program.
- **No contractual term or commitment –** Choosing LEP as the Troy administrator does not mean there can't be other administrators in the future. And the City may end LEP's services at any time.

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Levin Energy Partners: Ideal Partner for the City of Troy

- **Knowledge** – Founder Andy Levin helped pass Michigan's PACE law while working for the state
- **Experience** – 15 counties and 6 cities/townships have already created PACE districts with Levin Energy Partners
- **Cost-effectiveness** – LEP helps the city implement PACE at no cost to taxpayers

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Next Steps

- City council passes resolution of intent
- Council holds public hearing
- Council passes resolution of adoption (can be at same meeting as public hearing)
- Start working with Troy businesses to develop and finance clean energy projects!

1 2 3

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CITY OF TROY, MICHIGAN
PACE PROGRAM

DATE

TABLE OF CONTENTS

Page

EXECUTIVE SUMMARY 1

PACE PROGRAM REPORT 2

PACE SPECIAL ASSESSMENT AGREEMENT 9

Appendix A: Special Assessment Parcel 32

Appendix B: Descriptions of Improvements 32

Appendix C: Payment Schedule 33

Appendix D: Program Eligibility 34

Appendix E: Special Assessment Roll 35

Appendix F: Certification of Assignment 36

Lean & Green Michigan™
PACE Program

Executive Summary

Public Act No. 270 of 2010 ("Act 270"), MCL 460.935 et. seq., authorizes local units of government to adopt Property Assessed Clean Energy ("PACE") programs to promote the installation of energy efficiency improvements and renewable energy systems by owners of commercial or industrial property within a district designated by the local unit of government. Act 270 allows private commercial lenders to finance energy projects; authorizes local units of government to issue bonds, notes and other indebtedness; and authorizes the assessment of properties for the cost of the energy projects. Act 270 provides for repayment to the local unit of government or the private lender through a voluntary property assessment. The property assessment remains with the property and has the same priority as other property tax and assessment liens in the event of foreclosure.

Lean & Green Michigan™ ("LAGM") has developed a collaborative approach to PACE programs for local units of government by standardizing the administrative and legal process under which PACE programs are created and managed. Many local units of government throughout the state joined have or are in the process of joining LAGM utilizing a "shared services" approach to eliminate upfront and ongoing program costs and duplication. Further, this approach creates one efficient statewide market, allowing property owners, lenders and clean energy contractors to utilize a standardized process as they employ PACE financing in multiple jurisdictions throughout the state.

This documentation package includes the report required by Section 9 of Act 270 and provides model forms of documents for the PACE program. As many of the details of a PACE transaction are determined on a project-specific basis, adjustments to the model documents may be required to fit a particular transaction. Additionally, there are several blanks left in the documents that should be filled in when the corresponding information is known.

CITY OF TROY, MICHIGAN

PACE PROGRAM REPORT

This Lean & Green Michigan™ PACE Program Report contains the information required by Section 9 of Act 270. Additional information is available from the City of Troy. The PACE Program and Report were approved by the City of Troy City Council on_____, subsequent to a public hearing held on _____.

INTRODUCTION

In order to encourage economic development, improve property valuation, increase employment, reduce energy costs, reduce greenhouse gas emissions and contribute to the public health and welfare in City of Troy, the City Council established the City of Troy Property Assessed Clean Energy Program pursuant to Public Act No. 270 of 2010 ("Act 270") by joining Lean & Green Michigan™ ("LAGM," the "PACE Program" or "Program"). The PACE Program has identified specific sources of commercial funding to finance the implementation of energy efficiency improvements, renewable energy systems and energy projects within the City of Troy PACE district (which is coterminous with City of Troy jurisdictional boundaries).

The City of Troy Council passed a Resolution of Intent to create a PACE district by joining the Lean & Green Michigan statewide PACE program on _____. The Council published its first version of this PACE Report thereafter, and held a public hearing on _____. The Council passed a Final Resolution adopting this PACE program on _____.

The purpose of this PACE Report (hereinafter the "Report") is to fulfill the requirements of Act 270. Section 9 of Act 270 requires a Report that includes: a form of contract between City of Troy and the record owner; identification of an official authorized to enter into program contracts on behalf of City of Troy; a maximum aggregate amount for financing under the program; an application process and eligibility requirements; a method for determining interest rates, repayment periods and the maximum amount of assessment; explanation of how assessments will be made and collected; a plan for raising capital; information regarding reserve funds and fees of the program; a requirement that the term of the assessment not exceed the useful life of the energy project; a requirement of an appropriate ratio of the amount of assessment to the assessed value of the property; requirement of consent from the mortgage holder; provisions for marketing and participant education; provisions for adequate debt service reserve fund; quality assurance and antifraud measures; and a requirement for baseline energy audits, ongoing savings measurements and performance guarantees for projects over $250,000 in assessments.

1. Form of PACE Contract

A form of model PACE Special Assessment Agreement is attached as **Appendix A**. Individual property owners may negotiate project-specific terms to be included in an actual agreement based upon the specific energy efficiency and renewable energy improvements to be financed through the individual agreement, subject to the limitations set forth herein.

2. Authorized Official/PACE Administrator

The City Manager of the City of Troy, or his designee (the "Authorized Official") is authorized to enter into PACE Program contracts on behalf of City of Troy in consultation with Levin Energy Partners, LLC ("LEP"). The Authorized Official is further authorized to sign any agreement, documents or certificates necessary to facilitate the participation of property owners and to facilitate the purposes hereunder.

As part of Lean & Green Michigan™, LEP will act as PACE administrator and will manage City of Troy's PACE Program. LEP is authorized to negotiate with credit providers and PACE project participants to facilitate the use of the PACE Program and to assist PACE project applicants in obtaining owner-arranged financing.

3. Financing Parameters

In establishing its PACE district, City of Troy intends for PACE projects to be funded only through owner-arranged private financing.

Owner-arranged and other financing from commercial lenders, as allowed under Act 270, Section 9(1)(g)(iii), are separate sources of financing There is no limit on the maximum aggregate annual amount of financing provided by private commercial lenders under the program. The dollar amount for financing of a particular project will be established by the property owner seeking to make the property improvement and the commercial lender seeking to finance the energy improvements, as approved by LEP and the Authorized Official.

4. Application Process/Eligibility Requirements

Application Process:

The application process for financing projects under the Program shall be that of LAGM. The current application form is attached as **Appendix B**. This form may be changed or amended as necessary by LEP.

Eligibility Requirements:

The eligibility requirements for financing projects under the Program shall be those of LAGM. Eligibility requirements may be changed or amended as necessary by LEP. The current list of eligibility requirements is attached as **Appendix C**.

5. Financing Terms of Assessments

For funds supplied by commercial lenders, the interest rate for PACE special assessment installments shall be negotiated by the parties based on current market conditions.

The maximum allowable repayment period of a PACE special assessment must be included in the PACE Special Assessment Agreement and will be determined on a project-specific basis and shall not exceed the lesser of the useful life of the energy project paid for by the assessment or 25 years.

The maximum dollar amount of a PACE special assessment shall be negotiated on a project-specific basis between the property owner and the entity providing the financing based upon the specific energy efficiency improvement(s) and/or renewable energy system(s) included in the individual PACE Special Assessment Agreement.

6. Assessment Collection Process

Within the parameters set forth herein, the Authorized Official will determine to:

i.

ii. Authorize one or more commercial lenders to provide financing to defray all or part of the cost of the energy improvements by special assessment upon the Special Assessment Parcel, which the Authorized Official will find is especially benefited in proportion to the costs of the energy improvements.

The Special Assessment Roll, attached as **Appendix E**, will be spread by the Authorized Official on behalf of City of Troy and without objection by the property owner to allocate one hundred percent (100%) of the PACE special assessment levy created hereby to the Special Assessment Parcel.

The PACE special assessment, as allocated by the Authorized Official on behalf of City of Troy without objection by the property owner, will be finally established against the property and the energy projects to be constructed on the Special Assessment Parcel. The PACE special assessment will be effective immediately upon the execution and delivery of the PACE Special Assessment Agreement by the property owner. The PACE special assessment may be paid in semi-annual installments pursuant to Section 13(2) of Act 270. The Authorized Official, on behalf of City of Troy, will confirm the Special Assessment Roll.

7. Financing Program

LAGM has developed and will continue to develop an active roster of financial institutions, institutional investors and other sources of private capital available to finance PACE projects in Michigan. By participating in LAGM, City of Troy helps its constituent property owners gain access to private capital made available through the statewide program. City of Troy authorizes the use of owner-arranged financing from commercial lenders to finance qualified energy projects under the Program.

8. Reserve Fund

By participating in LAGM, City of Troy assists its constituent property owners in taking advantage of any and all appropriate loan loss reserve and gap financing programs of the Michigan Economic Development Corporation ("MEDC"). Such financing mechanism can similarly be used to finance a reserve fund.

9. Fee Schedule

Application, administration and program fees for record owners shall be those of LAGM. Administration and program fees will be determined on a project-specific basis and will depend on the size, nature and complexity of the energy project(s) and financing mechanism(s) involved.

10. Useful Life

The maximum length of time allowable for repayment of a PACE assessment shall not exceed the lesser of the useful life of the energy project paid for by the assessment or 25 years and will be determined on a project-specific basis by LEP. Projects involving multiple energy efficiency improvements and/or renewable energy systems may aggregate the useful life of each improvement to determine an overall useful life figure for financing purposes. In aggregating the improvements, the property owner must appropriately weigh each improvement's dollar cost.

11. Property Eligibility Parameters

The ratio of the amount of the assessment to the market value of the property must be appropriate and shall be set forth in the PACE Special Assessment Agreement for each project. In calculating the appropriate ratio, the parties may use either: 1) the market value of the property before the PACE project; or 2) the expected post-PACE project market value of the property — including the value of the project.

- If the parties calculate an appropriate ratio pre-project, energy projects shall generally not exceed 25% of market value of the property prior to the PACE project as agreed to by the parties using a proper measure such as a recent appraisal or two times the State Equalized Value.
- If the parties calculate an appropriate ratio that includes the value of the PACE project, total indebtedness of the property shall not exceed the market value of the property prior to the PACE project as agreed to by the parties using a proper measure such as a recent appraisal or two times the State Equalized Value, plus 75% of the value of the PACE project.

LEP and the Authorized Official may permit projects that exceed these values for reasonable cause on a case-by-case basis.

12. Mortgage Consent Requirement

If a property is subject to a mortgage the record owner must obtain written consent from the mortgagee to participate in the Program. Proof of lender consent must be submitted before a Special Assessment Agreement may be executed. A form of model lender consent to participate in a PACE Program is attached as **Appendix G**.

13. Marketing Program

LAGM has developed an ongoing marketing and participant education program. By joining LAGM, City of Troy gains access to this program and agrees to partner with LAGM in educating businesses in City of Troy about opportunities to save energy, save money and improve their property value. The City authorizes the use of City of Troy's logo by LAGM to be incorporated into the LAGM website and other communication vehicles. More information regarding the Program can be obtained at LAGM's website: www.leanandgreenmi.com; or at City of Troy's website at https://www.troymi.gov/.

14. Quality Assurance and Antifraud Measures

LAGM includes the following quality assurance and antifraud measures:

i. Business integrity review on clean energy contractors conducted by Michigan Saves;

ii. Background check process on clean energy contractors conducted by Michigan Saves; and

iii. Other general due diligence as may be necessary or required.

15. Audit Requirement

As set forth in the PACE Program Application, a baseline energy audit must be completed before an energy project is undertaken. Each contract will require and provide adequate funding for monitoring and verification of energy savings throughout the life of the special assessment.

16. Projects Over $250,000

As set forth in the PACE Special Assessment Agreement, energy projects financed with more than $250,000 require ongoing measurements to establish energy savings and a guarantee from the contractor that the energy project will achieve a savings to investment ratio greater than one.

17. Amendments to the Program

A public hearing shall not be required to amend this Program. the City of Troy PACE program may be amended as necessary from time to time.

_____SPACE ABOVE FOR RECORDING PURPOSES_____

PACE SPECIAL ASSESSMENT AGREEMENT

by and among

CITY OF TROY, MICHIGAN

and

INSERT NAME OF BORROWER

and

INSERT NAME OF LENDER

Dated: _____

TABLE OF CONTENTS

Page

SPECIAL ASSESSMENT AGREEMENT 10

Recitals.....10

Definitions.....11

Descriptions of Improvements.....13

Covenants of the Property Owner.....14

PACE Special Assessment.....15

Conditions Precedent 21

Representations and Warranties.....23

Default.....24

Miscellaneous 25

APPENDIX A: SPECIAL ASSESSMENT PARCEL.....30

APPENDIX B: DESCRIPTION OF IMPROVEMENTS 31

APPENDIX C: PAYMENT SCHEDULE.....32

APPENDIX D: PROGRAM ELIGIBILITY REQUIREMENTS.....33

APPENDIX E: SPECIAL ASSESSMENT ROLL 34

APPENDIX F: CERTIFICATION OF ASSIGNMENT 35

PACE SPECIAL ASSESSMENT AGREEMENT

THIS PACE SPECIAL ASSESSMENT AGREEMENT (this "Agreement") is made this ____ day of _____, 2015, by and among the City of Troy, a Michigan municipal corporation (the "City of Troy"), whose address is 500 W. Big Beaver, Troy, MI 48084, _____ (the "Property Owner"), whose address is _____, and _____(the "Lender"), whose address is _____.

RECITALS:

A. Pursuant to Act 270 and a resolution adopted by the City Council of the City of Troy on INSERT DATE, the City of Troy has established the PACE Program as described in the PACE Program Report and has created the Special Assessment District under the PACE Program for the purpose, *inter alia*, of assisting a record owner of property within the Special Assessment District in obtaining Owner-Arranged Financing from a commercial lender to defray the costs of one or more Energy Projects on the property.

B. Under Act 270, the City of Troy is authorized, pursuant to an agreement with the record owner of property within the Special Assessment District, to impose a special assessment on the property to be benefitted by the Energy Projects in order to secure and provide for the repayment of the Owner-Arranged Financing.

C. The Property Owner desires to undertake certain Energy Projects on commercial property of the Property Owner located within the Special Assessment District, as described herein, and has obtained a commitment from the Lender to make the Loan to the Property Owner to defray a portion of the cost thereof.

D. In order to induce the Lender to make the Loan to the Property Owner, the Property Owner has requested that the City of Troy enter into this Agreement for the purpose of imposing a special assessment on the property to be benefitted by the Energy Projects, in accordance with Act 270, which special assessment will secure and provide for repayment of the Loan from the Lender.

E. Pursuant to Act 270 *MCL 460.935 et. seq.) and the PACE Program, the City of Troy is authorized to enter into this Agreement.

In consideration of the foregoing and the mutual covenants contained in this Agreement, the City of Troy, the Property Owner and the Lender hereby enter into this Agreement and covenant and agree as follows:

ARTICLE I
DEFINITIONS

Section 1.01 Definitions. Capitalized terms used in this Agreement, including the Recitals hereto, shall have the following meanings, except to the extent the context in which they are used requires otherwise:

(a) "**Act 270**" means Act 270 of the Michigan Public Acts of 2010, commonly referred to as the Property Assessed Clean Energy Act (MCL 460.935 et. seq.) .

(b) "**Agreement**" means this PACE Special Assessment Agreement as same may be amended and/or restated.

(c) "**Applicable Interest Rate**" means _____ percent (___%) per annum.

(d) "**Authorized Official**" means the City Manager, or his designee, who is authorized to exercise the authority of an Authorized Official under the terms of the PACE Program Report.

(e) "**City**" or "**City of Troy**" means the City of Troy, County of Oakland, State of Michigan, a Michigan municipal corporation.

(f) "**County**" means the County of Oakland, State of Michigan.

(g) "**Default Rate**" means the lesser of (i) eighteen percent (18%) per annum and (ii) the maximum allowable rate of interest under the laws of the State of Michigan.

(h) "**Energy Efficiency Improvement**" means equipment, devices, or materials intended to decrease energy consumption, including, but not limited to, all of the following:

insulation in walls, roofs, floors, foundations, or heating and cooling distribution systems; storm windows and doors; multi-glazed windows and doors; heat-absorbing or heat-reflective glazed and coated window and door systems; and additional glazing, reductions in glass area, and other window and door system modifications that reduce energy consumption; automated energy control systems; heating, ventilating, or air-conditioning and distribution system modifications or replacements; caulking, weather-stripping, and air sealing; replacement or modification of lighting fixtures to reduce the energy use of the lighting system; energy recovery systems; day lighting systems; installation or upgrade of electrical wiring or outlets to charge a motor vehicle that is fully or partially powered by electricity; measures to reduce the usage of water or increase the efficiency of water usage; and any other installation or modification of equipment, devices, or materials approved as a utility cost-savings measure by the City Council of the City of Troy.

(i) "**Energy Project**" means the installation or modification of an Energy Efficiency Improvement or the acquisition, installation, or improvement of a Renewable Energy System.

(j) "**Event of Default**" has the meaning set forth in Section 7.01 hereof.

(k) "**Force Majeure**" means unforeseeable events beyond a party's reasonable control and without such party's failure or negligence including, but not limited to, acts of God, acts of public or national enemy, acts of the federal government, fire, flood, epidemic, quarantine restrictions, strikes and embargoes, labor disturbances, the unavailability of raw materials, and delays of contractors due to such causes, but only if the party seeking to claim Force Majeure takes reasonable actions necessary to avoid delays caused thereby.

(l) "**General Property Tax Act**" means the General Property Tax Act, Act 206, Public Acts of Michigan, 1893, as amended.

(m) "**Improvements**" means the [Energy Efficiency Improvements and the Renewable Energy System Improvements] being undertaken by the Property Owner on the Special Assessment Parcel as described in **Appendix B** attached hereto.

(n) "**Lean & Green Michigan™**" means a consortium of local units of government and private entities involved in facilitating property assessed clean energy program-financed transactions.

(o) "**Lender**" means INSERT NAME OF LENDER, a INSERT DESCRIPTION OF LENDER, I.E. COMPANY TYPE

(p) "**LEP**" shall mean Levin Energy Partners, LLC, a Michigan limited liability company.

(q) "**Loan**" means the loan obtained by the Property Owner from the Lender pursuant to Owner-Arranged Financing to defray a portion of the cost of the Improvements under the terms of the Loan Documents.

(r) "**Loan Documents**" means the Loan Agreement, dated as of _____, , between the Property Owner and the Lender and any and all exhibits or attachments thereto, including any documents amending, restating, replacing, extending or

otherwise modifying the Loan Agreement and all documents provided to the Lender from time to time by the Property Owner to evidence or secure the Loan as required pursuant to the terms of the Loan Agreement.

(s) "**Owner-Arranged Financing**" means the process by which a property owner secures financing for improvements to its property that does not involve bonds or any other form of funding provided by the City of Troy.

(t) "**PACE Program**" shall mean the property assessed clean energy program implemented by the City of Troy pursuant to Act 270 and the PACE Program Report to stimulate energy efficiency and renewable energy projects in conformity with Act 270.

(u) "**PACE Program Report**" means the Lean & Green Michigan™ Pace Program Report approved by the City Council of the City of Troy on INSERT DATE.

(v) "**Payment Schedule**" has the meaning set forth in Section 4.01 hereof.

(w) "**Property Owner**" means INSERT NAME OF PROPERTY OWNER

(x) "**Renewable Energy System Improvement**" means a fixture, product, device, or interacting group of fixtures, products, or devices on the customer's side of the meter that use one (1) or more Renewable Energy Resources to generate electricity. Renewable Energy System Improvement includes a biomass stove but does not include an incinerator or digester.

(y) "**Renewable Energy Resource**" has the meaning set forth in Act 270.

(z) "**Special Assessment**" means the money obligation created pursuant to this Agreement with respect to the Special Assessment Parcel used to defray the cost of the Improvements and which shall, together with all interest, charges and penalties which may accrue thereon, be a lien upon the Special Assessment Parcel of the same priority and status as other property tax liens and other assessment liens as provided in Act 270 until such amounts have been paid in full.

(aa) "**Special Assessment District**" means the Special Assessment District established as part of the PACE Program pursuant to Act 270.

(bb) "**Special Assessment Parcel**" means the property located in the Special Assessment District to which one hundred percent (100%) of the Special Assessment has been spread by the City of Troy and which is more particularly described on the attached **Appendix A**.

(cc) "**Special Assessment Roll**" has the meaning set forth in Section 4.01 hereof.

ARTICLE II
DESCRIPTION OF IMPROVEMENTS

Section 2.01 Description of Improvements. The Improvements to be acquired, constructed, installed and financed by the Property Owner under the PACE Program are described in **Appendix B** attached hereto. If after project approval, the Property Owner seeks to undertake additional Improvements, **Appendix B** may be amended or supplemented from time to time. Such additional Improvements must meet all the eligibility criteria of the PACE Program and the PACE Program Report and may be added to the original application as a modification, or submitted as a new project, at the discretion of LEP and the Authorized Official.

ARTICLE III
COVENANTS OF THE PROPERTY OWNER

Section 3.01 Acquisition, Construction and Installation of Improvements.

(a) The Property Owner covenants and agrees to acquire, construct and install the Improvements as described in **Appendix B** on the Special Assessment Parcel described on **Appendix A** in full conformity with all applicable laws and regulations and in compliance with the PACE Program eligibility requirements set forth in **Appendix D**. If the proceeds of the Loan are not sufficient to pay the costs of the Improvements as aforesaid, the Property Owner agrees to complete the Improvements and to pay that portion of the costs of the Improvements in excess of the amount of the Loan. The Property Owner acknowledges and agrees that the City of Troy makes no representation, either express or implied, that the proceeds of the Loan will be sufficient to pay the total costs of the Improvements, and the Property Owner agrees that that if, after exhaustion of the proceeds of the Loan, the Property Owner shall be required to pay any portion of the costs of the Improvements from its own funds, the Property Owner shall not be entitled to any reimbursement therefor from the City of Troy or from the Lender, nor shall the Property Owner be entitled to any abatement or diminution of the amount of the Special Assessment created by this Agreement or of any interest, charges or penalties which may accrue thereon.

(b) The Property Owner acknowledges and agrees that the City of Troy (i) has no liability, obligation or responsibility whatsoever with respect to the Improvements, (ii) makes no representation or warranty whatsoever with respect to the Improvements, and (iii) is not a party to, nor has it approved or consented to, any contract or other agreements between (A) the Property Owner and any contractor, subcontractor or other person relating to the acquisition, construction, installation, operation, performance or ongoing monitoring or verification of any of the Improvements (including, without limitation, any energy performance or energy savings guarantee) or (B) the Property Owner and the Lender. The Property Owner covenants and agrees to indemnify and hold harmless the City of Troy and its officers, agents, attorneys and employees from and against any loss, expense (including reasonable counsel fees) or liability of any nature due to any and all suits, actions, legal or administrative proceedings, or claims arising or resulting from, or in any way connected with: (i) the acquisition, construction, installation, operation, performance or ongoing monitoring or verification of any of the Improvements; (ii) any contract or other agreement between the Property Owner and any contractor, subcontractor

or other person relating to the acquisition, construction, installation, operation, performance or ongoing monitoring or verification of any of the Improvements (including, without limitation, any energy performance or energy savings guarantee); or (iii) any contract or agreement between the Property Owner and the Lender. The provisions of this Section 3.01(b) shall survive the termination of this Agreement and the discharge of the lien of the Special Assessment as herein provided.

(c) The Property Owner further acknowledges and agrees that no breach or default or failure to perform on the part of any contractor, subcontractor or other person under any contract or other agreement between the Property Owner and any such contractor, subcontractor or other person relating to the acquisition, construction, installation, operation, performance or ongoing monitoring or verification of any of the Improvements (including, without limitation, any energy performance or energy savings guarantee), nor any claim or dispute relating thereto, shall entitle the Property Owner to any abatement or diminution of the amount of the Special Assessment created by this Agreement or of any interest, charges or penalties which may accrue thereon.

ARTICLE IV
PACE SPECIAL ASSESSMENT

Section 4.01 PACE Special Assessment Created.

(a) At the request of the Property Owner, the City of Troy hereby determines to assist the Property Owner in obtaining the Loan to defray a portion of the cost of the Improvements on the Special Assessment Parcel by the levy of the Special Assessment upon the Special Assessment Parcel, which the Authorized Official on behalf of the City of Troy finds is especially benefitted in proportion to the cost of the Improvements. The Special Assessment created hereby has been spread by the Authorized Official on behalf of the City of Troy on the Special Assessment Roll attached hereto as **Appendix E** (the "Special Assessment Roll"), with the consent of the Property Owner, to allocate one hundred percent (100%) of the Special Assessment to the Special Assessment Parcel.

(b) The Special Assessment, as allocated by the Authorized Official with the consent of the Property Owner, is hereby finally established and levied against the Special Assessment Parcel as described on the attached **Appendix A** in the principal amount of _____ Dollars ($_____) as stated on the Special Assessment Roll. The Special Assessment is effective immediately upon the execution and delivery of this Agreement by the Property Owner. The Special Assessment shall be paid by the Property Owner in INSERT NUMBER OF SEMI-ANNUAL INSTALLMENTS on the dates and in the amounts set forth in the payment schedule attached hereto as **Appendix C** (the "Payment Schedule"). The Special Assessment Roll and the Payment Schedule are hereby approved and confirmed by the Authorized Official on behalf of the City of Troy. The unpaid amount of the Special Assessment Roll shall bear interest from the date of execution and delivery of this Agreement at the Applicable Interest Rate, as calculated by the Lender in accordance with the terms of the Loan Documents, payable semi-annually on each date on which any installment of the Special Assessment is due in accordance with the Payment Schedule. Notwithstanding the foregoing, (i) if any installment of the Special Assessment or any interest due and payable on the Special

Assessment Roll is not paid by the Property Owner when and as the same shall become due and payable in accordance with the provisions of this Section 4.01 or (ii) any "event of default" under the Loan Documents has occurred and is continuing, the unpaid amount of the Special Assessment Roll shall bear interest at the Default Rate as calculated by the Lender in accordance with the terms of the Loan Documents, for so long as such amounts remain unpaid or for so long as such "event of default" under the Loan Documents exists and is continuing. The City of Troy, the Property Owner and the Lender agree that the Lender shall be solely responsible for the determination from time to time of the Applicable Interest Rate and the Default Rate and the amount of interest due and payable by the Property Owner on the Special Assessment Roll on each day on which interest thereon is due and payable as provided in this Agreement, and the Lender's determination thereof shall be binding on the Property Owner absent manifest error. The Property Owner and the Lender agree that the City of Troy shall under no circumstance have any obligation to determine the Applicable Interest Rate or the Default Rate or to calculate the amount of any interest payment due on the Special Assessment Roll as provided in this Agreement, and the City of Troy may conclusively rely upon the Lender's determinations thereof for the purpose of exercising and discharging all of the City of Troy's rights and obligations under this Agreement. The Lender agrees to provide, or cause to be provided, notice to the Property Owner and the City of Troy of the determinations of the Applicable Interest Rate and the Default Rate, as applicable, pursuant to this Section 4.01(b) at such times, and from time to time, as the Property Owner or the City of Troy may request.

Section 4.02 <u>Assignment of Special Assessment Payments to Lender</u>. At the request of the Property Owner and the Lender, and pursuant to Section 9(g)(iii) of Act 270, the City of Troy hereby irrevocably assigns to the Lender its right to receive all installments of the Special Assessment required to be paid by the Property Owner pursuant to this Agreement, whether in accordance with the Payment Schedule or upon prepayment of the Special Assessment in whole or in part in accordance with Section 4.06 of this Agreement, together with all payments of interest due and payable on the Special Assessment Roll at the Applicable Interest Rate or the Default Rate, as the case may be, as provided in Section 4.01(b) of this Agreement. In pursuance of the foregoing, the City of Troy, the Property Owner and the Lender agree that, except as provided in Section 4.05 of this Agreement, (i) all installments of the Special Assessment, whether payable in accordance with the Payment Schedule or upon prepayment of the Special Assessment in whole or in part in accordance with Section 4.06 of this Agreement, together with all payments of interest due and payable upon the Special Assessment Roll at the Applicable Interest Rate or the Default Rate, as the case may be, shall be paid by the Property Owner directly to the Lender when due at such address in the United States as may be designated by the Lender in writing to the Property Owner and the City of Troy, (ii) the City of Troy shall have no obligation or duty to include any installments of the Special Assessment on any tax bill issued by the City of Troy or to bill, collect or remit to the Lender any installments of the Special Assessment or any interest due and payable upon the Special Assessment Roll, and (iii) absent receipt by the City of Troy of written notice from the Lender of a payment default in accordance with Section 4.05 hereof, the City of Troy shall be entitled to conclusively presume that all installments of the Special Assessment and all payments of interest due and payable on the Special Assessment Roll have been made by the Lender to the Property Owner when due as required by the terms of this Agreement.

Section 4.03 <u>Property Owner's Consent to Special Assessment; Waiver</u>.

(a) The Property Owner hereby irrevocably consents to and confirms the creation of the Special Assessment Roll and the levy of the Special Assessment established pursuant to this Agreement and EXPRESSLY WAIVES ANY AND ALL CLAIMS CHALLENGING, AND DEFENSES TO, THE LEGALITY, VALIDITY, ENFORCEABILITY OR COLLECTABILITY OF THE SPECIAL ASSESSMENT, including, without limitation, all claims, causes of action and defenses arising from, relating to or otherwise based upon any theory of procedural defect concerning the approval of the Improvements, the establishment of the Special Assessment District, confirmation of the Special Assessment Roll and the Payment Schedule, the City of Troy's right to place the Special Assessment lien on the Special Assessment Parcel, the collectability and due dates of the Special Assessment installments and interest due and payable on the Special Assessment Roll, or any other theory, claim, cause of action or defense arising at law or in equity. The Property Owner further waives notice of hearing and the right to file objections if and to the extent such rights exist under the City Charter or any special assessment ordinance of the City of Troy.

(b) Following the signing of this Agreement, no suit or action of any kind shall be instituted or maintained for the purpose of contesting or enjoining the collection of the Special Assessment, and the Property Owner, for itself and its successors in interest, lessees, purchasers, and assigns with respect to all or any part of the Special Assessment Parcel, hereby irrevocably waives its rights to contest the Special Assessment with any adjudicative body having jurisdiction over the subject matter, including, but not limited to, the Michigan Tax Tribunal.

(c) In addition to the conditions, covenants, warranties and representations contained in the Loan Documents, the Property Owner shall not sell, transfer, alienate or convey any of its interest in the Special Assessment Parcel without first having given written notice of the Special Assessment to any successors in interest, lessees, purchasers or assigns and having made a copy of this Agreement part of any purchase contract, sale contract, lease agreement, deed or any other conveyancing instrument by which the Property Owner purports to assign all or any part of its interest in the Special Assessment Parcel to any successors in interest, lessees, purchasers, licensees, transferees and any other assigns. This Agreement shall be recorded against the real property constituting the Special Assessment Parcel by the City of Troy with the Register of Deeds of the County of Oakland, State of Michigan.

(d) The Property Owner agrees that it, its successors and assigns shall, during the term of this Agreement and the Special Assessment, pay all ad valorem real property taxes and assessments levied against the Special Assessment Parcel when due and the Property Owner specifically waives, irrevocably for itself, its successors and assigns as to any and all portions of the Special Assessment Parcel, the right to pay ad valorem real property taxes and assessments on any other installment method which may be available to property owners in the City of Troy.

(e) The City of Troy agrees that following (i) payment by the Property Owner in full of the Special Assessment, together with all accrued interest on the Special Assessment Roll, and all other interest, charges and penalties which may accrue thereon, and (ii) receipt by the City of Troy of written acknowledgment from the Lender that the Special Assessment, together with all accrued interest on the Special Assessment Roll, has been paid to the Lender in full, it will

promptly execute and deliver documentation discharging the lien of the Special Assessment on the Special Assessment Parcel. Until the Special Assessment liability has been fully satisfied and the lien discharged, each purchaser of all or any part of the Special Assessment Parcel, as a condition of closing on such purchase, shall execute and deliver to the City of Troy a written notice: (i) acknowledging the principal amount unpaid and outstanding on the Special Assessment; (ii) agreeing to the assumption of the liability to pay the Special Assessment, and any interest thereon, on a timely basis, when due, until the remaining balance and interest on said Special Assessment has been paid in full; and (iii) agreeing to pay to the Lender at or prior to the close of the purchase all past due installments of the Special Assessment and all past due payments of interest on the Special Assessment Roll. The representations set forth in such written notice shall be enforceable at law and in equity, including without limitation, by way of specific performance.

Section 4.04 Lien. The Special Assessment is an obligation with respect to the Special Assessment Parcel, and shall, until paid, be and continue to be a lien upon the Special Assessment Parcel for the amount of the Special Assessment and all interest, charges and penalties which may accrue thereon. Such lien shall be of the same character and effect as liens created pursuant to the City Charter of the City of Troy for City taxes and shall be treated as such with respect to procedures for collection as set forth in the General Property Tax Act and the City Charter of the City of Troy, including accrued interest, charges and penalties. The Special Assessment confirmed hereby is a debt to the City of Troy from the Property Owner and its successors in interest, lessees, purchasers and assigns. The right of the City of Troy to receive all installments of the Special Assessment required to be paid by the Property Owner pursuant to this Agreement, together with all payments of interest due and payable on the Special Assessment Roll at the Applicable Interest Rate or the Default Rate, as the case may be, as provided in Section 4.01, has been irrevocably assigned by the City of Troy to the Lender in accordance with the provisions of Section 4.02 of this Agreement. No judgment or decree shall destroy or impair any lien of the City of Troy upon the premises assessed for such amount of the Special Assessment as may have been equitably or lawfully charged and assessed thereon. Failure of the Property Owner or any subsequent property owner to receive any notice required to be sent under the provisions of the City Charter or this Agreement shall not invalidate the Special Assessment or the Special Assessment Roll and shall not be a jurisdictional requirement.

Section 4.05 Payment Default.

(a) If any installment of the Special Assessment or interest due on the Special Assessment Roll shall not have been paid by the Property Owner to the Lender, as assignee of the City of Troy, at the time and in the amount required by Section 4.01 hereof (a "Payment Default"), the Lender shall, not later than [thirty (30)] days following the date such sums were due and payable (the "Payment Default Date"), deliver written notice to the Treasurer of the City of Troy by registered or certified mail, with a copy to the notice parties of the City of Troy set forth in Section 8.03 hereof, stating all of the following: (i) that a Payment Default has occurred under this Agreement; (ii) the Payment Default Date; (iii) the amount of the installment of the Special Assessment that was due and payable on such Payment Default Date and which remains unpaid and the amount of interest on the Special Assessment Roll that was due and payable on such Payment Default Date and which remains unpaid (collectively, the "Payment Default Amount"); and (iv) an attestation by an authorized representative of the Lender that (x) no

portion of the Payment Default Amount specified in the foregoing notice has been included in any previous notice delivered to the City of Troy pursuant to this Section 4.05(a) and (y) the statements contained in the foregoing notice are true, correct and complete as of the date of such notice. Upon receipt of such notice from the Lender, the City of Troy shall take such actions as may be required to cause the Payment Default Amount to be certified for collection and to be included on the summer or winter tax bill next succeeding the Payment Default Date, and such Payment Default Amount shall be collected at the same time and in the same manner as is prescribed for the collection by the City of Troy of property taxes under the General Property Tax Act and the City Charter of the City of Troy. Notwithstanding the foregoing provisions of this Section 4.05(a), if the notice of the Lender described in this Section 4.05(a) is not received by the Treasurer of the City of Troy at least forty-five (45) days prior to the date of the summer or winter tax bill next succeeding the Payment Default Date, then the City of Troy shall not be obligated to place the Payment Default Amount for collection on the summer or winter tax bill next succeeding the Payment Default Date, but shall instead place the Payment Default Amount for collection on the first summer or winter tax bill issued thereafter for which the Treasurer of the City of Troy has received at least forty-five (45) days prior notice of the Payment Default as provided in this Section 4.05(a). The City of Troy shall be entitled to conclusively rely upon any notice of the Lender delivered pursuant to this Section 4.05(a) as to the existence of a Payment Default and as to the Payment Default Amount, and shall not be liable to the Property Owner or to any other person for any action taken by the City of Troy pursuant to the terms of this Agreement or otherwise in reliance upon the information contained in such notice. Absent receipt by the City of Troy of written notice from the Lender of a Payment Default in accordance with this Section 4.05(a), the City of Troy shall be entitled to conclusively presume that all installments of the Special Assessment and all payments of interest due and payable on the Special Assessment Roll have been made by the Property Owner to the Lender when due as required by the terms of this Agreement, and the City of Troy shall have no obligation or duty to include any installments of the Special Assessment on any tax bill issued by the City of Troy or to bill, collect or remit to the Lender any installments of the Special Assessment or any interest due and payable upon the Special Assessment Roll.

(b) The City of Troy hereby agrees that, pursuant to the irrevocable assignment set forth in Section 4.04, it will cause to be paid over to the Lender all amounts received by the City Treasurer as collections of any Payment Default Amount that has been placed on any summer or winter tax bill in accordance with Section 4.05(a) hereof, and that has not been returned to the County Treasurer of the County as delinquent, within forty-five (45) days of the date such sums are received by the City Treasurer. The parties hereto expressly acknowledge and agree that in no event shall the City of Troy advance to the Lender the amount of any unpaid Payment Default Amount, and the City of Troy shall be obligated to pay over to the Lender only such sums as are actually received by the City Treasurer as collections of any Payment Default Amount that has been placed on a summer or winter tax bill as provided in this Section 4.05, without interest thereon (other than interest on the Special Assessment Roll payable by the Property Owner pursuant to Section 4.01(b) that has been collected by the City Treasurer as part of the Payment Default Amount).

(c) If any Payment Default Amount included in a summer or winter tax bill in any year shall remain unpaid as of the last day of February of the following year (the "Delinquent

Payment Amount"), the City of Troy shall return the Delinquent Payment Amount to the County Treasurer of the County for collection pursuant to the General Property Tax Act in the same manner and with like effect as returns by the City of Troy of delinquent City taxes. If the Treasurer of the County shall thereafter pay to the Treasurer of the City of Troy all or any portion of the Delinquent Payment Amount from the delinquent tax revolving fund established by the County pursuant to the General Property Tax Act, the Treasurer of the City of Troy shall hold the funds received from the County with respect to the Delinquent Payment Amount in escrow in a separate account established on the books of the City of Troy for such purpose (the "Escrow Account"). All funds credited to the Escrow Account shall be applied by the Treasurer of the City of Troy for the following purposes and in the following order of priority:

(i) Until such time as the Treasurer of the County shall receive payment in full of the total amount of all unpaid delinquent taxes on the Special Assessment Parcel (including all Delinquent Payment Amounts), together with the total amount of all interest, penalties and fees payable thereon pursuant to the General Property Tax Act, all funds credited to the Escrow Account shall be maintained in the Escrow Account and shall be paid out only for the purposes described in this Section 4.05(c)(i). In the event that all or any portion of any Delinquent Payment Amount that has been paid to the City of Troy from the County delinquent tax revolving fund as described in Section 4.05(c) is subsequently recovered from or charged back to the City of Troy by the Treasurer of the County pursuant to Section 87b of the General Property Tax Act, the Treasurer of the City of Troy shall be authorized to withdraw from the Escrow Account funds in an amount sufficient, as determined by the Treasurer of the City of Troy, to reimburse the City of Troy for all or any portion of any Delinquent Payment Amount that has been recovered from or charged back to the City of Troy and for all interest and other amounts payable thereon. Funds withdrawn from the Escrow Account in accordance with the provisions of this Section 4.05(c)(i) shall be deposited in the General Fund of the City of Troy or as otherwise determined by the Treasurer of the City of Troy, and the Lender shall have no right or interest in any of such funds.

(ii) If (A) the Treasurer of the County shall receive payment in full of the total amount of all unpaid delinquent taxes on the Special Assessment Parcel (including all Delinquent Payment Amounts), together with the total amount of all interest, penalties and fees payable thereon pursuant to the General Property Tax Act, whether as a result of payment of such amounts by the Property Owner, redemption of the Special Assessment Parcel after forfeiture to the Treasurer of the County, sale of the Special Assessment Parcel at auction by the Treasurer of the County following the entry of a judgment foreclosing the Special Assessment Parcel, or otherwise, and (B) if the City of Troy shall have been reimbursed in full for all Delinquent Payment Amounts that have been recovered from or charged back to the City of Troy, together with all interest and other amounts payable thereon, as provided in Section 4.05(c)(i), then the balance remaining in the Escrow Account, if any, net of any amounts on deposit in the Escrow Account representing investment earnings on funds in the Escrow Account, shall be paid over to the Lender. [All amounts received by the Lender pursuant to the provisions of this Section 4.05(c)(ii) shall be credited against unpaid installments of the Special Assessment and interest due on the Special Assessment Roll in the manner specified in the Loan Documents.]

(iii) All investment earnings on funds credited to the Escrow Account shall be deposited in the General Fund of the City of Troy or as otherwise determined by the Treasurer of the City of Troy, and the Lender shall have no right or interest in any of such investment earnings.

It is understood and agreed by the Lender that the County is not obligated to maintain or continue a delinquent tax revolving fund for the payment of delinquent taxes or assessments, and that the City of Troy can make no representation that such a delinquent tax revolving fund will be maintained or continued or that the Treasurer of the County will purchase any Delinquent Payment Amount returned by the City of Troy in accordance with the provisions of the City Charter and the General Property Tax Act.

(d) In the event that any interest (other than interest on the Special Assessment Roll payable by the Property Owner pursuant to Section 4.01(b)), penalties, fees or other charges shall be imposed upon the Special Assessment Parcel or against the Special Assessment Roll or the amount of any unpaid Special Assessment pursuant to the City Charter of the City of Troy or the General Property Tax Act, either by the City of Troy or by the County, for the administration, billing, collection or enforcement of the Special Assessment created hereby, such amounts shall remain a debt of the Property Owner to the City of Troy or the Treasurer of the County, as their interests may appear, and shall not be deemed to have been assigned to the Lender pursuant to the terms of this Agreement or otherwise.

Section 4.06 Prepayment of Special Assessment. Subject to the provisions of the Loan Documents, including, without limitation, applicable prepayment penalties, the Property Owner may, upon sixty (60) days' written notice to the Lender and the City of Troy, prepay any installment of the Special Assessment specified in the Payment Schedule by causing to be paid to the Lender the amount of the installment to be prepaid, together with accrued interest thereon to the date of prepayment. If such prepayment of any installment is not received by the Lender on the date specified for prepayment, the Lender shall promptly deliver written notice to the City of Troy that such prepayment was not received by the Lender.

Section 4.07 Invalidity; Cure. In the event of any invalidity of the Special Assessment, the Authorized Official, at the request of the Lender, and if the City of Troy shall have received indemnity satisfactory to the Authorized Official for its costs and expenses (including reasonable attorneys' fees), shall, to the extent permitted by law, cause a new Special Assessment to be made for all or any part of the Improvements in accordance with Act 270 and the PACE Program, and the Property Owner, on behalf of itself and its successors in interest, lessees, purchasers, and assigns, hereby waives any objections to and agrees to the imposition of such new Special Assessment; *provided, however,* that the amount of the new Special Assessment shall not exceed the unpaid principal amount of the Loan at the time the new Special Assessment shall be established.

ARTICLE V
CONDITIONS PRECEDENT

Section 5.01 <u>Conditions Precedent to the City of Troy's Obligations</u>.

The obligations of the City of Troy under this Agreement shall be subject to the satisfaction of the following conditions precedent prior to or contemporaneously with the execution and delivery of this Agreement by the City of Troy:

(a) The City of Troy, the Property Owner and the Lender shall have authorized, executed and delivered this Agreement and all approvals required hereby shall have been secured.

(b) No action, suit, proceeding or investigation shall be pending before any court, public board or body to which the Property Owner or the City of Troy is a party, or shall be threatened in writing against the Property Owner or the City of Troy, contesting the validity or binding effect of this Agreement, the Special Assessment or the Owner-Arranged Financing contemplated hereby, or which, if adversely decided, could have a material adverse effect upon the ability of the Property Owner to pay or the City of Troy to levy the Special Assessment or to assign to the Lender the right to receive payments of the Special Assessment, or which could have a material adverse effect on the ability of the Property Owner of the City of Troy to comply with any of the obligations and terms of this Agreement.

(c) There shall be no ongoing breach of any of the covenants and agreements of the Property Owner required to have been observed or performed by the Property Owner under the terms of this Agreement and no Event of Default by the Property Owner, and no event which, with the passage of time or the giving of notice or both could become an Event of Default by the Property Owner under this Agreement, shall have occurred.

(d) All documents, schedules, materials, maps, plans, descriptions and related matters which are contemplated to be made Appendices to this Agreement shall have been fully completed by the Property Owner to the City of Troy's reasonable satisfaction and such Appendices shall be true, accurate and complete.

(e) The Property Owner shall meet all eligibility requirements as set forth in **Appendix D**.

(f) The Property Owner and the Lender shall have authorized, executed and delivered the Loan Documents, and the Lender shall have funded the Loan in accordance with the terms of the Loan Documents.

(g) The City of Troy shall have received an opinion of counsel to the Property Owner, acceptable in form and substance to the City of Troy, as to the matters set forth in the representations of the Property Owner contained in subsections (a) through (d) of Section 6.02 hereof.

(h) The Property Owner shall not have filed for bankruptcy or sought the protections of any state or federal insolvency law providing protections to debtors.

(i) All fees of the City of Troy's counsel, and the fees of any other professional engaged by the City of Troy with respect to the execution and delivery of this Agreement, shall have been paid by the Property Owner.

(j) The Property Owner shall have obtained the consent of each holder of a mortgage interest in the Special Assessment Parcel prior to or contemporaneously with the execution and delivery of this Agreement in substantially the form set forth in the PACE Program Report.

ARTICLE VI
REPRESENTATIONS AND WARRANTIES

Section 6.01 Representations and Warranties of the City of Troy.

The City of Troy represents and warrants to the Property Owner and the Lender that:

(a) The execution and delivery of this Agreement has been duly authorized by the City of Troy, and this Agreement constitutes a valid and binding agreement of the City of Troy, enforceable against the City of Troy in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance or other laws affecting creditors' rights generally, now existing or hereafter enacted, and by the application of general principals of equity, including those relating to equitable subordination.

(b) Neither the execution and delivery of this Agreement nor the consummation of the transaction contemplated herein is in violation of any provision of any existing law, ordinance, rule, resolution or regulation to which the City of Troy is subject, or any agreement to which the City of Troy is a party or by which the City of Troy is bound, or any order or decree of any court or governmental entity by which the City of Troy is subject.

Section 6.02 Representations and Warranties of the Property Owner.

The Property Owner represents and warrants to the City of Troy and the Lender that:

(a) The Property Owner is duly organized and validly existing as a INSERT STATE NAME AND TYPE OF LEGAL ENTITY (IE LLC) in good standing under the laws of the State of Michigan, with power under the laws of the State of Michigan to carry on its business as now being conducted, and is duly qualified to do business in the State of Michigan; and the Property Owner has the power and authority to own the Special Assessment Parcel and to carry out its obligation to complete the Improvements.

(b) The execution and delivery of this Agreement will not result in a violation or default by the Property Owner of any provision of its Articles of Organization or Operating Agreement, or under any indenture, contract, mortgage, lien, agreement, lease, loan agreement, note, order, judgment, decree or other instrument of any kind or character to which it is a party and by which it is bound, or to which it or any of its assets are subject.

(c) The Property Owner is the sole and exclusive legal and equitable title owner of fee simple title to the Special Assessment Parcel and the Improvements located, or to be located, thereon and has full legal power and authority to consent to the finalization and levying of the Special Assessment as provided herein.

(d) The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all requisite action, and this Agreement has been duly executed and delivered by the Property owner and constitutes a valid and binding agreement enforceable against the Property Owner in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance or

other laws affecting creditors' rights generally, now existing or hereafter enacted, and by the application of general principles of equity, including those relating to equitable subordination.

(e) The Property Owner, the Special Assessment Parcel and the Improvements satisfy all of the PACE Program eligibility requirements set forth in **Appendix D.**

Section 6.03 Representations and Warranties of the Lender.

The Lender represents and warrants to the City of Troy that:

(a) The Lender is an "accredited investor" as defined in Regulation D under the Securities Act of 1933, as amended, and is capable of evaluating the merits and risks of its participation in the Owner-Arranged Financing contemplated by this Agreement.

(b) The Lender has made its own independent investigation of the Property Owner, the terms of this Agreement, the nature of the Special Assessment created hereby and the procedures for the collection and enforcement of the Special Assessment under this Agreement and the laws of the State of Michigan, and is not relying on the City of Troy, its officers, agents, attorneys or employees for any of such information or with respect to the sufficiency and scope of such investigation. The Lender has not received, and is not relying on, any representations of the City of Troy with respect to the Property Owner.

ARTICLE VII
DEFAULT

Section 7.01 Property Owner Event of Default. If the Property Owner shall default in the performance of any covenant or agreement contained in this Agreement and such default shall continue for a period of ten (10) days after written notice thereof has been given to the Property Owner by the City of Troy, an "Event of Default" shall be deemed to have occurred under this Agreement.

Section 7.02 Remedies for Property Owner Event of Default. Upon the occurrence of an Event of Default as provided in Section 7.01 hereof, the City of Troy, after giving written notice as required, without further notice of any kind, and in addition to all other rights and remedies provided at law or in equity, shall be entitled to seek and obtain a decree of specific performance of this Agreement from a court of competent jurisdiction or to recover from the Property Owner any damages incurred by the City of Troy and any costs incurred by the City of Troy in enforcing or attempting to enforce this Agreement or the Special Assessment, including attorneys' fees and expenses. Notwithstanding the foregoing, the parties hereto acknowledge and agree that the City of Troy shall not be obligated to institute any of the actions or proceedings or to exercise any of the remedies authorized by this Section 7.02 upon the occurrence of an Event of Default hereunder, and that its obligations with respect to the billing, collection and enforcement of the Special Assessment or any installment thereon shall be limited to those obligations set forth in Article IV of this Agreement. The Lender acknowledges that neither the Special Assessment nor any installment thereon can be accelerated, and that the amount payable to the Lender under the terms of this Agreement is limited to the amount of the

installments of the Special Assessment required to be paid by the Property Owner pursuant to this Agreement, whether in accordance with the Payment Schedule or upon prepayment of the Special Assessment in whole or in part in accordance with Section 4.06 of this Agreement, together with all payments of interest due and payable on the Special Assessment Roll at the Applicable Interest Rate or the Default Rate, as the case may be, as provided in Section 4.01(b) of this Agreement.

Section 7.03 City of Troy Default. If the City of Troy shall default in the performance of any covenant or agreement on its part contained in this Agreement and shall fail to proceed in good faith to cure such default within sixty (60) days after written notice thereof has been received by the City of Troy from the Property Owner or the Lender, a "City Default" shall be deemed to have occurred under this Agreement.

Section 7.04 Remedy for City Default. Upon the occurrence of a City Default as provided in Section 7.03 hereof, and if the Lender shall have otherwise fully performed all of its obligations hereunder, the Lender, after giving written notice as required, without further notice or demand, shall be entitled to seek and obtain a decree of specific performance from a court of competent jurisdiction; but neither the Property Owner nor the Lender shall have the right to seek to recover money damages against the City of Troy, including any costs or fees (including attorneys' fees) incurred by the Property Owner or the Lender in enforcing or attempting to enforce this Agreement. Neither the occurrence of a City Default nor the institution of any proceeding or the exercise of any remedy upon the occurrence of a City Default shall negate or diminish the obligations of the Property Owner hereunder to pay the installments of the Special Assessment and interest accrued on the Special Assessment Roll and all other costs hereunder when the same shall become due and payable.

Section 7.05 Waiver. Failure of any party hereunder to act upon discovery of a default or to act upon the existence of an Event of Default shall not constitute a waiver of the right to pursue the remedies provided herein.

ARTICLE VIII
MISCELLANEOUS

Section 8.01 Term. Except as otherwise provided in this Agreement, the terms of this Agreement shall commence on the date first written above and shall terminate at such time as the Special Assessment liability shall have been fully satisfied as provided in Section 4.03(e) hereof.

Section 8.02 Assignment.

(a) Except as otherwise provided herein and as provided in Section 8.02(b) hereof, no party to this Agreement may transfer, assign or delegate to any other person or entity all or any part of its rights or obligations arising under this Agreement without the prior written consent of the other parties hereto excepting as otherwise expressly provided herein.

(b) The Lender and its successors and assigns may assign its rights in this Agreement and in the Special Assessment, in whole but not in part; *provided, however*, that any such assignment shall be made only in accordance with applicable law; *and provided further*,

however, that no such assignment shall be effective unless the City of Troy shall have first received (i) notice of the assignment disclosing the name and the address of the assignee, which shall be an address in the United States and (ii) a Certificate of Assignment executed by the assignee in the form attached to this Agreement as **Appendix F**. Any costs or fees (including reasonable attorneys' fees) incurred by the City of Troy in connection with any assignment made pursuant to this Section 8.02 shall be paid to the City of Troy by the Lender or its assignee as a condition to the effectiveness of the assignment. From and after the date of satisfaction of the conditions for the assignment of this Agreement as provided in this Section 8.02(b), the assignee of the Lender shall be a party hereto and shall have the rights and obligations of the Lender specified hereunder, and such assignee shall be deemed to be the "Lender" for all purposes of this Agreement.

Section 8.03 Notices. All notices, certificates or communications required by this Agreement to be given shall be in writing and shall be sufficiently given and shall be deemed delivered when personally served, or when received if mailed by registered or certified mail, postage prepaid, return receipt requested, addressed to the respective parties as follows:

If to the City:	City of Troy 500 W. Big Beaver Troy, MI 48084 Attn: City Manager
With a copy to:	City of Troy 500 W. Big Beaver Troy, MI 48084 Attn: City Attorney
If to the Property Owner:	INSERT NAME OF PROPERTY OWNER INSERT ADDRESS OF PROPERTY OWNER Attn:
With a copy to:	The Lender
If to the Lender:	INSERT NAME OF LENDER INSERT ADDRESS OF LENDER Attn:
With copies to:	INSERT NAME OF LENDER'S COUNSEL INSERT ADDRESS OF LENDER'S COUNSEL Attn:
	Levin Energy Partners City of Troy PACE Program Administrator 3400 Russell Street, Ste. 255 Detroit, MI 48207

or to such other address as such party may specify by written notice to the other parties hereto.

Section 8.04 **Amendment and Waiver** No amendment or modification to or of this Agreement shall be binding upon any party hereto until such amendment or modification is reduced to writing and executed by each party hereto. No waiver of any term of this Agreement shall be binding upon any party until such waiver is reduced to writing, executed by the party to be charged with such waiver, and delivered to the other parties hereto.

Section 8.05 **Entire Agreement.** This Agreement constitutes the entire agreement between the City of Troy, on the one hand, and the Lender and the Property Owner, on the other hand. There are no other representations, warranties, promises, agreements or understandings, oral, written or implied, between the City of Troy, on the one hand, and the Lender or the Property Owner, on the other hand.

Section 8.06 **Execution in Counterparts.** This Agreement may be executed in counterparts, each of which shall be an original and all of which shall constitute the same instrument.

Section 8.07 **Captions.** The captions and headings in this Agreement are for convenience only and in no way limit, define or describe the scope or intent of any provision of this Agreement.

Section 8.08 **Applicable Law.** This Agreement shall be governed in all respects, whether as to validity, construction, performance and otherwise, by the laws of the State of Michigan.

Section 8.09 **Mutual Cooperation.** Each party to this Agreement shall take all actions required of it by the terms of this Agreement as expeditiously as possible and shall cooperate to the fullest extent possible with the other parties to this Agreement. Each party to this Agreement shall exercise reasonable diligence in reviewing, approving, executing and delivering all documents necessary to accomplish the purposes and intent of this Agreement. Each party to this Agreement also shall use its best efforts to assist the other parties to this Agreement in the discharge of its obligations hereunder and to assure that all conditions precedent to the financing arrangements are satisfied.

Section 8.10 **Binding Effect; No Third-Party Beneficiary.** This Agreement shall be binding upon the parties hereto and upon their respective successors and assigns. In no event shall the provisions of this Agreement be deemed to inure to the benefit of or be enforceable by any third party.

Section 8.11 **Force Majeure.** No party hereto shall be liable for the failure to perform its obligations hereunder if said failure to perform is due to Force Majeure. Said failure to perform shall be excused only for the period during which the event giving rise to said failure to perform exists; *provided, however*, that the party seeking to take advantage of this Section shall notify the other party in writing, setting forth the event giving rise to said failure to perform, within ten (10) business days after the occurrence of said event.

[SIGNATURES ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the City of Troy, INSERT NAME OF LENDER, and INSERT NAME OF BORROWER/PROPERTY OWNER have caused this PACE Special Assessment Agreement to be duly executed and delivered as of the date first written above.

Witnessed:

_____
Signature of:

INSERT NAME OF PROPERTY OWNER

By: _____

Its:

Witnessed:

_____
Signature of:

_____
Signature of:

_____
Signature of:

City of Troy, Michigan
Municipal corporation

By: _____
Its: City Manager

By: _____
Its: City Clerk

Witnessed:

_____
Signature of:

INSERT NAME OF LENDER

By: _____

Its:

State of Michigan)
) ss
County of Oakland)

The foregoing instrument was acknowledged before me this ____ day of _____, 20____, by _____ the Authorized Signatory of INSERT NAME OF PROPERTY OWNER.

_____
Notary Public
_____County, Michigan
My commission expires _____

State of Michigan)
) ss
County of Oakland)

The foregoing instrument was acknowledged before me this _____ day of _____, 20_____, by, the City Manager and _____, the City Clerk of the City of Troy, , on behalf of the City of Troy.

_____
Notary Public
_____County, Michigan
My commission expires _____

State of _____)
) ss
County of _____)

The foregoing instrument was acknowledged before me this ____ day of _____, 20_____ , by _____ the Authorized Signatory of INSERT NAME OF LENDER, on behalf of INSERT NAME OF LENDER.

_____
Notary Public
_____County, _____
My commission expires _____

APPENDIX A

SPECIAL ASSESSMENT PARCEL WHICH IS ENCUMBERED BY THE SPECIAL ASSESSMENT ROLL

Parcel

Tax Parcel I.D. No.: _____.

APPENDIX B

DESCRIPTION OF IMPROVEMENTS

APPENDIX C

PAYMENT SCHEDULE*

Date of Principal Installment	Amount of Principal Installment

*This schedule includes principal of the Special Assessment only. Interest will be calculated as set forth in the Loan Documents and the City of Troy is entitled to conclusively rely on the amount due on each payment date as determined by the Lender in accordance with this Agreement.

APPENDIX D

PROGRAM ELIGIBILITY REQUIREMENTS

Property is privately owned commercial or industrial real property within Troy's jurisdictional boundaries, which may be owned by any individual or private entity, whether for-profit or non-profit. MCL 460.933(g). Multi-family residential property is included in the definition of commercial property.

There are no delinquent taxes, special assessments, or water or sewer charges on the property. The Authorized Official at his or her discretion, may disqualify properties that although not currently delinquent, have been delinquent within six months of the application's submission. MCL 460.941(2)(a).

There are no delinquent assessments on the property under a PACE program. MCL 460.941(2)(b).

The term of assessment shall not exceed the lesser of the useful life of the energy project paid for by the assessment or 25 years. Projects that consist of multiple energy efficiency improvements or renewable energy systems with varying lengths of useful life may blend the lengths to determine an overall assessment term that does not exceed the useful life of the improvements in aggregate. MCL 460.939(i).

An appropriate ratio must be determined for the amount of assessment in relation to the assessed value of the property. In calculating the appropriate ratio, the parties may use either: 1) the market value of the property before the PACE project; or 2) the expected post-PACE project market value of the property — including the value of the project.

- If the parties calculate an appropriate ratio pre-project, energy projects shall generally not exceed 25% of market value of the property prior to the PACE project as agreed to by the parties using a proper measure such as a recent appraisal or two times the State Equalized Value.
- If the parties calculate an appropriate ratio that includes the value of the PACE project, total indebtedness of the property shall not exceed the market value of the property prior to the PACE project as agreed to by the parties using a proper measure such as a recent appraisal or two times the State Equalized Value, plus 75% of the value of the PACE project. MCL 460.939(j).

Written consent from the mortgage holder must be obtained if the property is subject to a mortgage. MCL 460.939(k).

A baseline energy audit must be conducted for the property that is approved by LEP and the Authorized Official. Such approval may be granted retroactively if the audit meets the standards of LEP. MCL 460.939(o).

For projects financed for more than $250,000, a performance guarantee must be provided by the contractor(s) to guarantee a savings to investment ratio greater than one (1). MCL 460.939(p). The performance guarantee must meet the standards set by LEP.

For projects financed for more than $250,000, an agreement for ongoing verification and measurement of energy savings that meet standards set by LEP. MCL 460.939(p).

APPENDIX E

SPECIAL ASSESSMENT ROLL

APPENDIX F

CERTIFICATE OF ASSIGNMENT

[FORM TO BE ATTACHED]

Property Assessed Clean Energy

What Is PACE?

Property Assessed Clean Energy, or PACE, is a long-term financing tool for commercial property owners in Michigan to pay for energy efficiency, water efficiency, and renewable energy upgrades. Property owners receive 100% pre-funding for energy saving upgrades on their facilities, and pay the loan back through their property tax bill.

Benefits of PACE financing

- Long-term financing up to 20 years or the useful life of the project
- No upfront cost – 100% financing
- Immediate positive cash flow
- Runs with the land, transferring to the subsequent owner upon sale of the property
- Solves split incentive problem – payments can be passed easily to tenants
- Fixed interest rate (typically between 5.5% and 7.5%)

Eligibility

Qualifying Properties

- Manufacturing facilities
- Agricultural operations
- Office buildings
- Non-profits, including faith-based institutions and hospitals
- Multifamily housing properties
- And more!

Qualifying measures

- Energy efficiency
- Water efficiency
- Renewable energy (nearly all)

Why?

Buildings consume 40 percent of energy in the United States and 30 percent of this consumption is wasted due to inefficiency. However, the payback period is simply too long on many energy efficiency and renewable energy measures – so businesses continue wasting energy and money! PACE solves this problem by offering long-term financing at a fixed rate, leading to no upfront cost and *immediate positive cash flow*.

About PACE and Lean & Green Michigan

Local governments facilitate PACE financing by allowing commercial property owners to repay private lenders via a special assessment on their property tax bill. To take advantage of PACE financing, the property owner signs an agreement with a private lender and the local government, and the loan repayment is then added to its property taxes.

Lean & Green Michigan, a program of Levin Energy Partners, is Michigan's PACE marketplace, growing and managing one, statewide PACE program in collaboration with local governments, lenders, contractors, and property owners. Lean & Green Michigan offers PACE in jurisdictions representing more than 50% of all Michiganders, with these numbers growing every month.

Lean & Green Michigan
Email: info@levinenergypartners.com
Phone: 313-444-1474

PACE in Troy

This document is meant to help answer any outstanding questions regarding the adoption of the PACE program in Troy.

Levin Energy Partners is committed to providing the Lean & Green Michigan PACE program to Michigan counties and cities at no taxpayer expense. To do that, Levin Energy Partners works with the local government to establish and run the PACE District, serving as a third party administrator. Levin Energy Partners is able to offer the program to local governments for free by financing it through closing costs on each project. Typically, Levin Energy Partners receives a 2% administrative fee on each deal and a negotiated fee with the lender involved. All fees come from participants in the market — Levin Energy Partners never receives any taxpayer dollars.

There is no contract between Troy and Levin Energy Partners and there is no binding term. Just as it is free for Troy to join the program, it is also free and simple to leave the program at any point. If for any reason Troy chooses to leave the program or the program is no longer functioning, any existing PACE special assessments will remain on a given property until the PACE loan is paid back.

Here is a flow chart of the steps involved in creating and running a PACE program with a discussion of costs and involvement. Italicized portions indicate potential City involvement.

Joining Lean & Green Michigan

1. Creation of Lean & Green Michigan program
    - Lean & Green Michigan is America's most successful private sector statewide PACE administration program.
    - We have created a statewide market that brings the benefits of advertising, communications, ease-of-use and scale to participating counties.
    - Troy pays nothing for any of these benefits.
2. Drafting and passing PACE program report and resolution
    - Levin Energy Partners provides draft PACE program report and resolution and modifies it to suit Troy's needs at no charge to Troy.
3. Process for joining
    1. Pass Resolution of Intent **(This step is completed)**

2. Publish PACE Report **(This step is completed)**
    - Includes naming "Authorized Official"
3. Issue Notice of Public Hearing
4. Hold public hearing and vote on Final Resolution (Finalize PACE Report prior to vote)

Process to execute a project including any local government involvement

1. **Educate building owners, energy contractors, economic developers, and others. (No cost. Involvement from city government at discretion of local government.)**
    - Levin Energy Partners undertakes an ongoing communications and training program for Troy and other participating counties and cities.
        - Levin Energy Partners provides template materials for local government officials to use if so desired.
    - To date, over 130 people from over 75 companies have been trained on PACE.
    - Non-profit members of the Lean & Green Michigan public-private partnership have received grants to train various constituencies in participating counties.
    - None of this costs Troy anything.

2. **The application process**
    - Levin Energy Partners works with PACE customers to evaluate potential projects and help them apply for the program and submit necessary paperwork. This includes determining eligibility.
    - Property owners/contractors typically reach out to Lean & Green Michigan directly.
        - *The local government, in this case Troy, typically provides information and a point of contact for questions regarding PACE and Lean & Green Michigan on the City government website. Still, you can just direct all questions to Levin Energy Partners and Lean & Green Michigan as you choose.*
3. **Audit and Project Analysis (No cost/involvement from City or local government)**
    - If needed, LEP connects the property owner with a contractor or multiple contractors that can help with a more detailed analysis and audit.
    - Contractor performs energy audit
    - LEP aids in economic analysis of project
    - Details of Energy Conservation Measures and the projected savings are presented to the property owner with a total dollar amount for the project including labor and all admin fees.
4. **Project closing**
    - Levin Energy Partners works with property owners and lenders to develop all documentation necessary to close a PACE project.
    - Levin Energy Partners obtains or provides the legal services necessary to create a complete, finished Special Assessment Agreement for each project.
        - *"Authorized Official" from City must sign Special Assessment Agreement. Any time spent reviewing Special Assessment Agreement by the City can be rolled into the cost of the project.*

5. **Project finance (No cost/involvement from City)**
    - Troy will not be asked to contribute money to facilitate PACE projects – no bonds, TIFs, etc. There will be no taxpayer dollars involved.
    - Projects will be financed using owner-arranged financing using private capital.
        - The property owner works with Levin Energy Partners to identify a lender (Levin Energy Partners works with a network of lenders, but any lender can participate if they so choose)
6. **Installation of ECMs (No cost/involvement from City)**
    - Contractor performs the work
    - Property is enrolled in energy star program (for free)
7. **Processing of PACE payments**
    - Direct pay **(No cost/involvement from City)**
        - If the property owner pays the lender directly, the City will incur no cost and will have no involvement.
    - *Through property tax bill*
        - *If the property owner pays the lender through the property tax bill, the local unit of government may add a fee to reflect actual administrative cost, so that there is no net cost.*
        - *The actual procedure is carried out in the same way that a typical special assessment would be added to the tax roll and then payments are remitted to the specified lender on the PACE project.*
8. **Foreclosure**
    - A foreclosure on a PACE project is very unlikely. This is because PACE lenders only finance projects on healthy buildings. Of over $100,000,000 in PACE projects in the U.S. to date, **we do not know of a single foreclosure**.
    - In the event of a default, the County will enforce the PACE lien on a coequal basis along with the property owner's other property tax obligations.
    - The County does *not* have to include the PACE lien in its revolving fund program.
    - Foreclosure and sale of the property:
        - If the property is sold for back taxes or greater, the PACE lender receives the back taxes it is owed and the County loses nothing.
        - If the property is sold for less than back taxes, the PACE lender receives only its pro rata share of the sale proceeds, not everything it was owed. Other entities owed back taxes also receive their pro rata share, which may be slightly more or less than they would have been if there had been no PACE lien (PACE improvements may have increased the sale price).
        - If the property cannot be sold, the PACE lender receives nothing, and again the PACE project does not cause the loss of any taxpayer money.
    - It is important to remember that the PACE lien runs with the land, so the PACE lender is *never* owed future PACE payments. The future owner pays those.
    - **<u>Bottom line: the taxpayers are not putting any money into the PACE project, and the PACE lender is taking a risk if the County cannot sell the property for full back taxes or at all.</u>**
9. **Ongoing monitoring, verification and maintenance (No cost or involvement from local government)**

- Buildings undergoing PACE projects in Troy must agree to enroll in the Energy Star Portfolio Manager program to monitor energy costs and savings.
- This program is free.
- Building owners may enter into maintenance contracts as part of PACE projects, but these will be between private parties.
- No taxpayer dollars will be involved.

NOTICE OF PUBLIC HEARING

CITY OF TROY, STATE OF MICHIGAN

ON THE ESTABLISHMENT OF A PACE
PROGRAM AND A PACE DISTRICT

TO ALL INTERESTED PERSONS IN THE CITY OF TROY:

PLEASE TAKE NOTICE that the City Council, City of Troy, State of Michigan, (the "City") will hold a public hearing at the Regular City Council Meeting on Monday, February 8, 2016, which starts at 7:30 pm, in the Troy City Council Chambers,, 500 W. Big Beaver, Troy, MI 48084, to receive comments on the proposed Property Assessed Clean Energy ("PACE") program and the proposed PACE report.

TAKE FURTHER NOTICE that the City Council intends to establish a PACE program and to establish a PACE district, having the same boundaries as the City's jurisdictional boundaries, pursuant to Act No. 270, Public Acts of Michigan, 2010 ("Act 270"), MCL 460.935 et. seq., for the purposes of encouraging economic development, improving property valuation, increasing employment, reducing energy costs, reducing greenhouse gas emissions, and promoting the use of renewable energy systems and energy efficiency improvements.

TAKE FURTHER NOTICE that the Proposed PACE report, required by Section 9(1) of Act 270, is available on the City's website at https://troymi.gov/, and is available at the office of the City Clerk located at 500 W. Big Beaver, Troy, MI 48084.

THIS NOTICE is given by order of the City Council of City of Troy, Michigan.

_____
M. Aileen Dickson, MMC, CMMC
City Clerk

POSTED: Monday, January 25, 2016
PUBLISHED: Monday, January 28, 2016