



MEMORANDUM

TO: Mayor Laurel Lunt Prussing and City Council Members
FROM: William R. Gray, Public Works Director
Scott R. Tess, Environmental Sustainability Manager
DATE: November 17, 2016
RE: Additional Information Regarding PACE Bill SB0116

Council Inquiries

At the November 14 City Council meeting, staff presented a resolution from the Sustainability Advisory Commission asking the Mayor and Council to support the Illinois General Assembly bill SB0116, a bill to authorize green special service areas to facilitate property assessed clean energy (PACE) programs.

In the meeting Council members asked several questions:

1. What are the reasons for opposition to SB0116?
2. Why doesn't SB0116 have more sponsors?
3. How would a green special service area special assessment relate to a TIF District?
4. Would municipalities provide bond funding for loans in the green special service areas?
5. Would the Illinois Finance Authority buy bonds that fund loans in the green special service areas?

Responses to Council Inquiries

1. Staff has made phone calls to the offices of all the Senators who voted no on SB0116 as well as the Illinois Bankers Association, and the Senate and House co-sponsors of the bill to inquire as to their position on the bill. Staff has received one response from a Senator's staff person who stated that the Senator generally opposed any new taxes or bonds, but that he would look into SB0116 further. In the transcript from the Senate session, Senator Biss stated "There's still some discussion, led by the Bankers Association, about how to make this as efficacious as possible, so we may see some amendment in the -- in the House. But as I said, there's no opposition, and I would ask your support in moving forward." No debate took place, and no objection was raised. A vote of 35 to 12 in favor of the bill followed. SB0116 has passed the Senate, had its first reading in the House, and been assigned to the Revenue & Finance Committee.
2. Same answer as number 1 in this section.

3. Nothing in SB0116 prevents a county or municipality from creating a green special service area in conjunction with a tax increment redevelopment plan. For a municipality, the Illinois Municipal Code provides the following guidance on the effect of tax increment financing on a special service area:

“If a special service area has been established pursuant to the Special Service Area Tax Act or Special Service Area Tax Law, then any tax increment revenues derived from the tax imposed pursuant to the Special Service Area Tax Act or Special Service Area Tax Law may be used within the redevelopment project area for the purposes permitted by that Act or Law as well as the purposes permitted by this Act” 65 ILCS 5/11-74.4-3(q).

Where there is an overlap of an special service area and a tax increment financing area, a municipality may forward the tax increments into the fund for repayment of the tax increment financing project or retain the increments to pay special service area debt or costs.

4. SB0116 would amend 20 ILCS 3501/820-20 to authorize but not oblige the Illinois Finance Authority to purchase special service area bonds and to accept assignments or pledges, or both, of special service area bonds or agreements for green special service area projects. The proposed bill would also amend 20 ILCS 3501/820-25 to allow but not oblige local units of government to issue special service area bonds for green special service area projects and sell or assign these bonds to the Authority. No bonding is required to be undertaken and private sector lending is not prohibited with the green special service area mechanism. This mirrors the typical functioning of other special service areas.
5. Same answer as number 4 of this section.

Amendment Requested by Mayor

The Mayor has requested an amendment to the draft RESOLUTION TO SUPPORT THE ESTABLISHMENT OF A PROPERTY ASSESSED CLEAN ENERGY (PACE) PROGRAM FOR COMMERCIAL PROPERTIES IN URBANA, ILLINOIS. The amendment has been incorporated into the current draft in Council packet and is shown with additions underlined here:

WHEREAS, the Urbana CAP sets goals to reduce greenhouse gasses from Urbana 25% (from 2007, the base year), by 2020 and 80% by 2050, and reductions of 15% have already been achieved by the end of 2015, including the purchase of Renewable Energy Credits; and

Recommendation

It is recommended that a RESOLUTION TO SUPPORT THE ESTABLISHMENT OF A PROPERTY ASSESSED CLEAN ENERGY (PACE) PROGRAM FOR COMMERCIAL PROPERTIES IN URBANA, ILLINOIS be approved.

RESOLUTION NO. 2016-11-066R

**RESOLUTION TO SUPPORT THE ESTABLISHMENT OF A PROPERTY ASSESSED
CLEAN ENERGY (PACE) PROGRAM FOR COMMERCIAL PROPERTIES IN URBANA,
ILLINOIS**

WHEREAS, in 2013, Illinois ranked 4th (nationally) in carbon dioxide emissions, emitting 230 million metric tons of carbon dioxide; and

WHEREAS, commercial and industrial sectors in Illinois account for over half of the state's energy consumption total; and

WHEREAS, energy waste contributes to greenhouse gas emissions; and

WHEREAS, the Urbana Climate Action Plan (CAP) seeks to increase renewable energy purchasing and energy efficiency in Urbana; and

WHEREAS, the Urbana CAP sets goals to reduce greenhouse gasses from Urbana 25% (from 2007, the base year), by 2020 and 80% by 2050, and reductions of 15% have already been achieved by the end of 2015, including the purchase of Renewable Energy Credits; and

WHEREAS, investing in cost-effective energy efficiency and renewable energy improvements can save energy, cut utility bills, create local jobs, reduce reliance on fossil fuels and greenhouse gas emissions, and increase overall assessed property valuation; and

WHEREAS, Property Assessed Clean Energy (PACE) is a tool for financing energy efficiency and renewable energy improvements and realizing substantial energy savings and greenhouse gas reductions; and

WHEREAS, PACE financing programs are an innovative local government solution to help property owners finance energy efficiency and renewable energy improvements with private funding; and

WHEREAS, the PACE program removes many of the barriers of energy efficiency and renewable energy retrofits that otherwise exist for commercial and industrial properties, particularly the high upfront cost of making such an investment and the long-term ability to reap the benefits of cost savings; and

WHEREAS, locally-enacted PACE programs are an exercise of the traditional authority of local governments to utilize the tax code for public benefit; and

WHEREAS, PACE creates a mechanism for property owners to take out a loan for up to 100% of the project cost from a private lender that is repaid through the property tax bill as a voluntary special assessment for up to 20 years, and the assessment stays with the property rather than the borrower and can potentially be passed on to tenants through the rent; and

WHEREAS, Urbana has the opportunity to be a leader in the state by developing an active Commercial PACE program; and

WHEREAS, SB0116 has been introduced into the state legislature to establish rules for enacting "green special service areas" that would authorize voluntary PACE special assessments.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF URBANA, ILLINOIS AS FOLLOWS:

Section 1.

The Mayor shall be and hereby is authorized to forward this Resolution to the Illinois General Assembly and to Governor Rauner in support of enacting into law Illinois Senate Bill No. 0116 which, if enacted, will provide for the Property Assessed Clean Energy (PACE) program which would provide for financing energy efficiency and renewable energy improvements and which would realize substantial energy savings and greenhouse gas reductions.

Section. 2.

In the event that Illinois Senate Bill No. 0116 is enacted into law, the City of Urbana shall undertake reasonable efforts to establish or otherwise join in a "green special service area" that would authorize voluntary PACE special assessments for commercial property owners after state enabling legislation is passed.

PASSED by the City of Council this ___ day of _____, 2016.

AYES: _____

NAYS: _____

ABSTAINS: _____

Phyllis D. Clark, City Clerk.

Approved by the Mayor this _____ Day of _____,
2016.

Laurel Lunt Prussing, Mayor.