



Property Assessed Clean Energy (PACE) Financing

REQUEST FOR QUALIFICATIONS: PACE LENDERS

1/27/2014



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Background of PACE in Milwaukee

The City of Milwaukee established a *Property Assessed Clean Energy (PACE) financing program* to help existing building owners make energy saving, water saving, and renewable energy upgrades to their properties within City limits. Milwaukee's PACE program improves the business case for energy efficiency and clean energy projects from the perspective of building owners while creating a secure environment for lenders. In so doing, the program helps to create local jobs, improves Milwaukee's building stock, reduces the long-term operating expenses of buildings, and improves the environment. A listing of the benefits of PACE from the building owner's perspective can be found [here](#).

The Milwaukee PACE model is designed to truly mobilize private capital for viable energy improvements, without the City having to issue bonds. Milwaukee developed a *PACE Supplemental Loan Agreement* (tri-party agreement) between the building owner, City, and PACE Lender. Through this arrangement, the lender provides the capital to the building owner and the building owner repays the loan via the City as a Special Charge on the property tax bill. The City then remits the payments it receives to the PACE lender and has the power to foreclose on the property if the building owner fails to make payments.

The City of Milwaukee and its partners have successfully implemented the first PACE project in Wisconsin, a \$662,000 project at the historic University Club. A [complete case study](#) of the project outlines how the project was developed and demonstrates the value to the building owner.

Purpose of this *Request for Qualifications (RFQ)*

While the City of Milwaukee operates an open market PACE model, the City is seeking to identify qualified private lenders ("PACE Lenders") for the program. **The City seeks to have a ready supply of "go-to" PACE lenders that fully understand and accept the Milwaukee PACE framework and legal arrangements and are able to quickly provide funding to projects after the City has approved them.** The City would also like to get a better understanding of the interest rates, fees, and other lending parameters of responsive PACE lenders. While new capital providers can participate in the program in an on-going basis, the City's Department of Administration will refer building owners with prospective PACE projects to capital providers that have been fully responsive to this RFQ.

On its first PACE project, the City and other parties worked with inside and outside counsel to craft the *PACE Supplemental Agreement*, ensuring that the agreements were consistent with City Ordinances and complementary to a lender's construction loan documents. The City worked with legal representatives of all interests to ensure arrangements met needs of lender, building owner, and the City. Going forward, the City aims to identify lenders that can work within this framework.

As a secondary goal, the City intends to use this RFQ process to document potential areas where the City's PACE ordinance could be improved if necessary. Therefore, the City urges capital providers that have completed PACE projects in other jurisdictions but who are unwilling to provide capital in Milwaukee to identify potential changes to Milwaukee's program that would allow them to lend in Milwaukee. Note that proposed changes should be limited to [Ordinance 304-26.5](#) as the City will not consider changes to the broader tax collection/foreclosure framework.

Program Authorization and Policies

PACE policies in Milwaukee flow first from Wisconsin State Statute, then by City ordinance, and finally through administrative rules promulgated by the City of Milwaukee Department of Administration. The Administrative rules are published in a Program Manual. The Program Manual and supporting PACE documentation and forms available at: www.SmartEnergyPays.com/businesses.

State of Wisconsin Enabling Statute: [66.0627\(8\)](#)

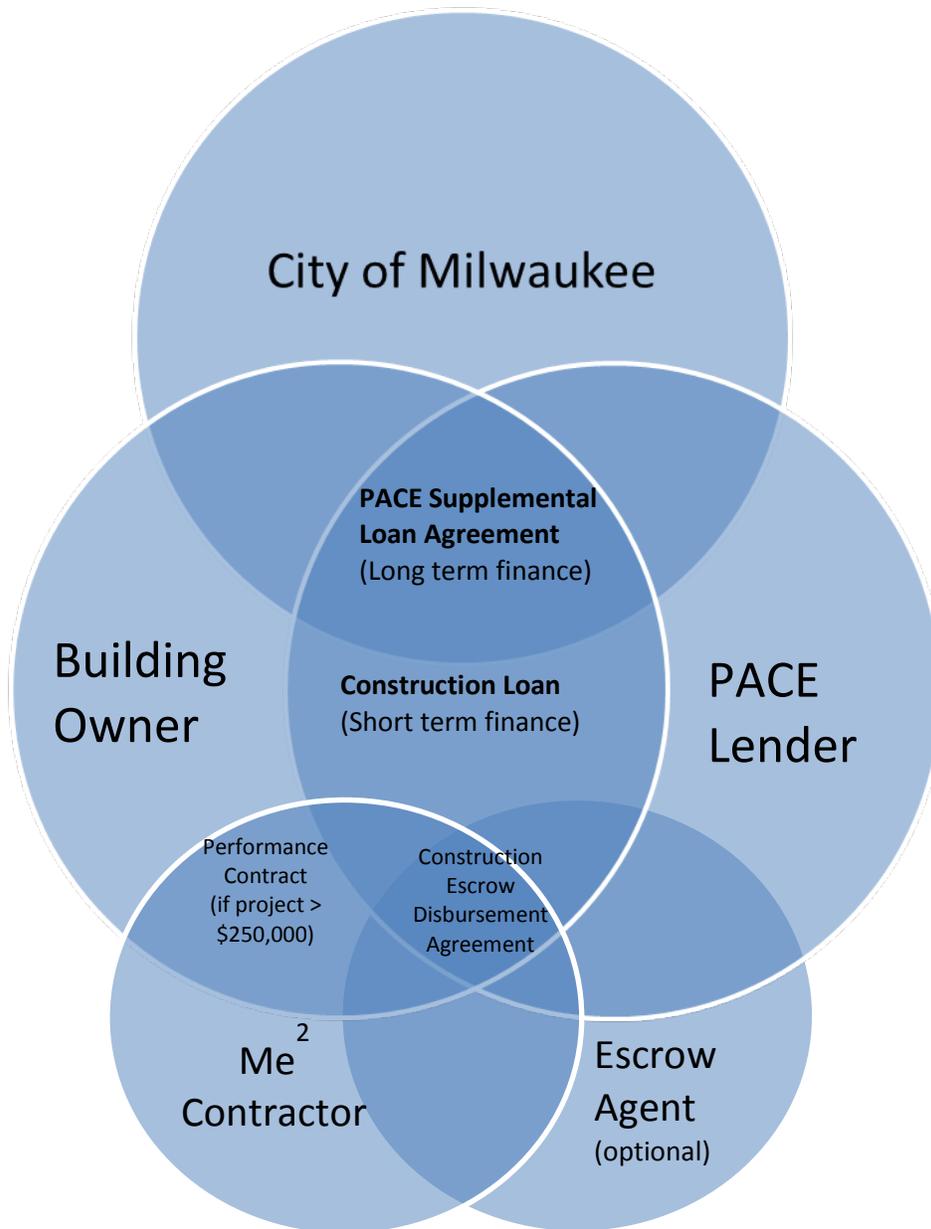
City of Milwaukee Ordinance: [304.26.5](#)

Administrative Rules: [Program Manual](#) including the PACE Supplemental Loan Agreement Template in Appendix C.

The City of Milwaukee is a signatory to the PACE Supplemental Loan Agreement only. However, the City's Office of Environmental Sustainability also 1) reviews and approves the overall transaction; 2) approves [contractors](#) that can participate in the PACE program (i.e. contractors that install measures funded by PACE); 3) ensures that a performance contract is in place between the building owner and construction contractor or the project engineer when required; monitors performance of the Me² contractor on the project as it relates to labor requirements outlined [here](#), and 5) collects PACE payments from the building owner via a special charge on the property tax bill and remits payments to the lender. See Figure 1 below for a visual representation of the relationship of the various parties on a PACE transaction.

Figure 1: Relationship of Parties on PACE Transaction

In the following diagram, the overlapping circles represent the parties involved and the labeled intersections represent legal agreements. The PACE Supplemental Loan Agreement has been established by the City of Milwaukee. However, the PACE lender has flexibility on how it structures the Construction Loan Agreement and disbursements, provided they are not in conflict with the PACE Supplemental Loan Agreement. The lender may (but is not required to) use an escrow agent to handle disbursements to the building owner or contractor.



RFQ Terms and Conditions

By responding to this RFQ, the PACE lender accepts the following understandings:

1. CITY OF MILWAUKEE reserves the right to reject any or all of the submissions received in response to the RFQ, to waive irregularities or to cancel or modify the RFQ in any way.
2. The CITY OF MILWAUKEE may select multiple qualified lenders to post on the SmartEnergyPays.com website for participation in the program.
3. Building owners may elect to use PACE lenders who did not respond to this RFQ.
4. Submissions will be opened at CITY OF MILWAUKEE's convenience. Note that all the information submitted in response to this RFQ is subject to [Wisconsin Public Records](#) Law. All questions regarding this RFQ must be submitted in writing to Erick Shambarger, by email at eshamb@milwaukee.gov
5. CITY OF MILWAUKEE further reserves the right to make selections under this RFQ without discussion of the proposals received.
6. CITY OF MILWAUKEE will not be responsible for any expenses incurred by any PACE lender or third party in conjunction with the preparation or presentation of any submission with respect to this RFQ.
7. CITY OF MILWAUKEE's selection of PACE lenders through this RFQ is not an offer to purchase goods or services and is not a contract for services.
8. The CITY OF MILWAUKEE does not guarantee responsive PACE lenders a set level of PACE projects or deal flow.
9. CITY OF MILWAUKEE reserves the right to continue negotiations with PACE lenders on any given project.
10. The CITY OF MILWAUKEE may provide information provided by submissions to this RFQ to building owners interested in PACE financing.
11. Submissions must be signed by an authorized officer of the PACE Lender.
12. **DEFENSE OF SUITS.** In case any action in court or proceeding before an administrative agency is brought against the CITY OF MILWAUKEE or any of its officers, agents, or employees for the failure or neglect of the PACE Lender in whole or in part to perform any part of the PACE loan, or for injury or damage caused by the alleged negligence of the PACE Lender, its officers, agents or employees, the PACE Lender shall indemnify and save harmless the CITY OF MILWAUKEE and its officers, agents and employees from all losses, damages, costs, expenses, judgments, or decrees arising out of such action. The CITY OF MILWAUKEE shall tender the defense of any claim or action at law or in equity to the PACE Lender or PACE Lender's insurer, and upon such tender it shall be the duty of the PACE Lender and PACE Lender's insurer to defend such claim or action without cost or expense to the CITY OF MILWAUKEE or its officers, agents, or employees.
13. **INDEMNIFICATION.** Notwithstanding any references to the contrary, PACE Lender assumes full liability for all of its acts. PACE Lender will save and indemnify and keep harmless the CITY OF MILWAUKEE against all liabilities, judgments, costs, and expenses which may be claimed against the CITY OF MILWAUKEE in consequence of referring customers to said PACE Lender, or which may result from the carelessness or neglect of said PACE Lender, or the agents, employees or workmen of said PACE Lender in any respect whatever. If judgment is recovered, whether in suits of law or in equity, against the CITY OF

MILWAUKEE by reason of the carelessness, negligence, or by acts of commission of the PACE Lender, such persons, firms or corporations carrying out the provisions of a PACE agreement for the PACE Lender, the PACE Lender assumes full liability for such judgment not only as to the amount of damages, but also the cost, attorney's fees or other expenses resulting therefrom.

14. DISCRIMINATION PROHIBITED

A. PACE lender shall not discriminate against any qualified employee or qualified applicant for employment because of sex, race, religion, color, national origin or ancestry, age, disability, lawful source of income, marital status, sexual orientation, gender identity or expression, past or present membership in the military service, familial status, or based upon affiliation with, or perceived affiliation with any of these protected categories. This requirement shall apply to but not be limited to the following: employment, upgrading, demotion or transfer, recruitment or recruitment advertising, lay-off or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. There shall be posted in conspicuous places available to employees and applicants for employment, notices required or to be provided by federal or state agencies involved setting forth the provisions of the clause.

B. No person in the United States shall, on the ground of sex, race, religion, color, national origin or ancestry, age, disability, lawful source of income, marital status or sexual orientation or familial status, be excluded from participation in, be denied the benefits of, or be subject to discrimination under any program or activity made possible by or resulting from this Agreement. The PACE Lender will comply with all requirements imposed by or pursuant to the regulations of the appropriate federal agency effectuating Title VI of the Civil Rights Act of 1964.

C. PACE lender agrees that it will comply with all applicable requirements of the Americans with Disabilities Act of 1990, 42 U.S.C. 12101, et. Seq.

15. **REGULATIONS.** PACE Lender agrees to comply with all of the requirements of all federal, state and local laws related thereto.

16. **JURISDICTION, VENUE, CHOICE OF LAW.** This RFQ shall be governed by and construed according to the laws of the State of Wisconsin. Any litigation relating to the formation, interpretation or alleged breach of this RFQ must be brought in the state and federal courts having jurisdiction in Milwaukee County, Wisconsin, and PACE Lender consents to the jurisdiction of such courts.

Milwaukee PACE Lender RFQ Respondent Submission Form

Submit electronically to Erick Shambarger at eshamb@milwaukee.gov. The City requests responses by 2/6/2015 in order to promote responsive lenders at PACE outreach event scheduled for 2/11/2015. However, the City will accept responses on a rolling basis as well. PACE lender may submit any additional information describing your qualifications, such as brochures, case studies of PACE transactions, etc.

By submission of a RFQ response, the PACE lender agrees to all of the Terms and Conditions set forth in this RFQ.

Name of Business: _____

State Incorporated in: _____

Name of Business as recorded in State's
Department of Financial Institutions or
comparable State agency (if different from above): _____

Primary Business Address: _____

Primary Contact Person: _____

Signature of Primary Contact: _____

Phone Number: () _____ - _____

Alternate Phone number: () _____ - _____

Website: _____

Describe the nature of your business (Regulated bank, broker, etc)

Cite the principal regulator(s) of your institution (such as, Federal Reserve Board, the OCC, etc.). If not a regulated firm or financial institution, provide the names, titles, emails, and direct telephone numbers of three professional references for the firm or, if recently formed, for the firm's principal partners.

Describe the background on your institution that demonstrates capabilities and interest to provide financing for PACE projects.

Describe the staffing and personnel that can be responsible for these transactions.

List states in which you have funded PACE projects:

Lender has at least \$250,000 to invest in qualified PACE projects in Milwaukee as of submission date: Yes No

Lender has reviewed the PACE Program Manual, including the *PACE Supplemental Loan Agreement* in Appendix C: Yes No

Lender can agree to the terms of the *PACE Supplemental Loan Agreement*: Yes No

If No, check which level of the Milwaukee PACE program you have issues with:

- Wisconsin Statute
- City Ordinance
- PACE Manual/Agreement
- Open Market Model

If you are unable to lend in the Milwaukee PACE Program, Please specifically identify changes that you would require to allow you to lend in the program. Use additional sheets if necessary:

Suggested revisions:

Lender can provide direct construction financing to building owners: Yes No

Lender can provide a construction loan agreement to building owners that is not in conflict with *PACE Supplemental Loan Agreement*: Yes No

Lender can provide a construction loan agreement to building owners that is not in conflict with *PACE Supplemental Loan Agreement*: Yes No

Minimum size project you are willing to fund (assume project meets underwriting requirements): \$ _____

Maximum size project you are willing to fund: (assume project meets underwriting requirements): \$ _____

Amount of funds available to invest in Milwaukee PACE: \$ _____

The Milwaukee PACE Program Manual includes eligibility requirements for the project and building owner. Do you have additional underwriting requirements that are not contained in the Program Manual, such as LTV requirements? Yes No

If you answered Yes, please describe (use additional sheets if necessary):

Milwaukee has established a PACE interest form, application form, and lender consent form. Do you have other forms you will require of PACE Applicants to review projects? ____ Yes ____ No

If you answered Yes, please describe (use additional sheets if necessary):

If the City of Milwaukee Office of Environmental Sustainability reviews and approves a project for funding based on the requirements in the Program Manual, do you undertake your own project review? ____ Yes ____ No

Assuming the building owner immediately provided all necessary documentation, how long is your typical review process? ____ weeks

Assuming the building owner has provided all requested documents and you have reviewed the project, how long to does the closing process typically take? ____ weeks

The City of Milwaukee may decline to foreclose on properties that have real or perceived environmental contamination. In those case, the PACE lender may request that the City, pursuant to s. [75.106](#), Wis. Stats., assign the City's right to take judgment against the subject property. (see Question 13 of FAQs on page 14) Based on this, are you willing to lend on properties with real or perceived environmental contamination, such as industrial properties? ____ Yes ____ No

Based on Milwaukee’s PACE structure what are your anticipated interest rates (assuming Prime Rate remains stable and fixed interest rates):

Term	5 year	10 year	15 year	20 year
Interest Rate				

Please describe any application fees you require:

Please describe any closing and legal fees you require, including whether they can be amortized with the PACE loan:

Closing Fees:

Appendix A: Frequently Asked Questions

1. Does the City of Milwaukee issue PACE bonds?

Not currently. The City of Milwaukee operates an open market PACE program to encourage various PACE lenders to compete on individual PACE projects. PACE lenders are expected to bring their own capital to particular projects, and they may bundle their own loans to for sale to other capital providers.

2. How is financing handled during the construction period of the project?

PACE offers long term financing with annual repayment through a special charge on the property tax bill. The PACE Supplemental Loan Agreement, also known as the tri-party agreement between the PACE lender, the City, and the building owner, establishes the repayment contract. The tri-party PACE Supplemental Loan Agreement is designed to be a supplement or rider to a construction loan agreement between a PACE lender and the building owner. The PACE lender and building owner may structure the construction note so that the PACE lender or a designated escrow agent directly pays the construction contractor to avoid mechanic liens [see question 20]. On the City's first PACE project, the lender and owner engaged Chicago Title to serve as escrow agent for the construction loan. The lender disbursed the loan proceeds to a Chicago Title escrow account from which funds were disbursed to the property owner pursuant to the terms and conditions of the Disbursing Agreement between the three parties. Note that the terms of the construction loan must not conflict with the PACE Supplemental agreement.

The PACE Supplemental Loan Agreement is executed in advance of construction. Thus disbursements of PACE proceeds for construction costs are thereby secured by the PACE agreement.

3. If there is a private sale of the property, what happens to the PACE Special Charge?

The PACE special charges will be annually applied to the property after a private transfer until the PACE loan is fully repaid or there is a tax foreclosure. A buyer and seller may mutually agree to repay the PACE lender the balance of the PACE loan as part of the property sale as well.

4. If there is a mortgage foreclosure on the property, what happens to the PACE Special Charge?

If a mortgage holder or other private creditor forecloses the property with PACE special charges, the PACE special charge remains with the property and will be annually applied to the property until the underlying loan is paid off or there is a tax foreclosure action. The PACE loan does not accelerate in this scenario. For this reason, mortgage holders on the property are required to consent to the PACE special charges before the City approves the PACE project.

5. If there is a tax foreclosure on the property, what happens to the PACE Special Charge?

After a tax foreclosure, future annual installments of the special charge may no longer be imposed on the property. The City will sell the property FREE AND CLEAR OF THE PACE LOAN (i.e. City will not (i) re-impose the remaining annual installments not yet due and payable or (ii) charge any shortfall in collection of the 3 missed annual installment payments) However, after the property is sold, the City shall remit to the PACE lender a portion of the foreclosure proceeds to satisfy all or part of the PACE default provisions (which includes the outstanding balance of the entire PACE loan with accrued interest and penalties), provided the foreclosure

proceeds exceed the sum total of:

1. All costs incurred by the City in pursuing this foreclosure action.
2. Any reimbursable incentives paid by the City to the PACE lender or the PACE lender's representative.
3. Any administrative fees stipulated in the loan agreement.
4. Any interest and penalties accruing to special charges added to the property tax bill under this section.
5. All other charges accruing to the foreclosed property, including but not limited to, special charges other than special charges levied on the property under this section, delinquent utility charges and personal property taxes, special assessments, special taxes, interest and
6. All foreclosure reconstructive costs. (These include costs that the City incurs to maintain the property while it is under City ownership).

6. When is the City required to pay the PACE lender for PACE special charges received from the building owner?

- Payments in full made by the January 31 shall be remitted by the City to the PACE lender not later than February 28.
- The sum of installment payments received by May 31 shall be remitted by the City to the PACE lender not later than June 30.
- The sum of installment payments received between May 31 and October 31 shall be remitted by the City to the PACE lender not later than November 30. [[Ordinance 304-26.5\(10b\)](#)]

Therefore, if the building owner pays their tax bill in full by January 31st, the City will remit one payment to the PACE lender for that year. If the building owner pays in installments, the City will remit one or two payments to the PACE lender. Per question 9 below, the City would make one payment to the PACE lender if the PACE charges are fully collected by the City by May 31st.

7. If the building owner becomes delinquent on the property taxes and PACE Special Charge, will City remit payments to the PACE lender?

No. They City will not remit payment to PACE lender for the PACE special charge until it receives payment from the building owner on the schedule outlined above. [[Ordinance 304-26.5\(10\)](#)]

8. Can a property owner pay the PACE Special charge in installments?

Yes. The City offers a 10 month installment plan for building owners to pay their property taxes. At least 90% of the first installment payment must be made on or before **January 31, 2014**, or the installment option is lost. [[City ordinance 19.5, 304-26.5 \(7b\)](#)]

9. What happens if a building owner makes partial payments on their property taxes/PACE Special Charge?

Payment priority is established by state statute [74.11\(12\)](#) which states:

“Payment priority. (a) Except as provided in pars. (c) and (d), if a taxation district treasurer or county treasurer receives a payment from a taxpayer which is not sufficient to pay all amounts due, the treasurer shall apply the payment to the amounts due, including interest and penalties, in the following order:

- 1g. Personal property taxes.

- 1m. Delinquent utility charges.
- 1r. Special charges.
2. Special assessments.
3. Special taxes.
4. Real property taxes.”

PACE special charges have fourth priority (same as special assessments) and real estate property taxes have sixth priority [[66.0627\(8\)c](#)].

If the property owner does not make full and timely payment of all property taxes and special charges under the lump sum payment plan or is late with at least two payments under the installment plan, then the sum of any unpaid taxes and special charges are delinquent.

If the building owner pays under the installment plan, the funds collected by the City will be distributed according to the above listing of payment priority. Therefore, it is possible that that the PACE special charges could be fully collected within the first few installments and fully remitted to the lender by June 30th.

10. What is the City’s recourse to collect delinquent property taxes and associated special charges, such as PACE charges?

The City’s recourse is to pursue a foreclosure action against the property. If an owner fails to pay special charges levied on a property, either in full by January 31 or through a City approved installment plan, the City Treasurer, following its customary and ordinary practices, shall begin a property tax foreclosure proceeding on the subject property at the [earliest time allowed under state statutes](#), unless the condition of the property, or for other reasons, the City determines a foreclosure is not in the best interests of the City (i.e., a concern about environmental contamination at the property). The department of administration shall inform the PACE lender eligible to receive special charge payment remittances on this property of the City’s determination not to pursue foreclosure within 30 days of the City’s determination not to proceed. [[City ordinance 304-26.5\(12\)](#)] In this case the city’s rights to take judgment can be assigned to the PACE lender or their trustee.

Three years commonly lapse between the time a property tax account becomes delinquent and the time that a foreclosure action and property sale is completed. After the first delinquency, the City customarily uses a third party collection agency to pursue a personal judgment against the property owner to collect the delinquent taxes and charges. However, in the City’s first PACE project, the City, property owner, and lender contractually agreed that the City’s sole recourse to remedy delinquent payments was a tax foreclosure (section 5(g) of the *PACE Supplemental Loan Agreement*). If this same agreement is contained in future PACE agreements, it effectively reduces the tax foreclosure timeline by up to one year.

11. Can annual installments of the PACE Special Charge continue to accrue after the initial delinquency?

Yes. Annual installments plus any interest and penalties may continue to be added to the tax roll until the tax foreclosure process is completed.

12. Clean Energy Finance Ordinance, Section 12 (page 13 of Program Manual) indicates the City may elect not to foreclose upon a PACE property “unless the condition of the property, or for other reasons, the city determines that foreclosure is not in best interests of the city”. Aside from environmental issues, when would it be in the best interests of the city not to foreclose on a PACE property?

The City has a strong interest in foreclosing on properties that have delinquent taxes. This creates a strong incentive for building owners to pay the taxes owed. Milwaukee’s Department of City Development (DCD)

develops a “Do Not Acquire” list of properties that should not be taken in a tax foreclosure because of real or perceived risk of environmental contamination. The purpose of the “Do Not Acquire” list is to protect the taxpayers from incurring properties that may require costly environmental remediation before they can be resold. Environmental concerns are the only known reason that the City would elect to not foreclose. PACE lenders that do not want to lend to properties with potential environmental issues may indicate that to the City.

13. What recourse does a PACE lender have if the City is unwilling to foreclose on the property?

If the City is unwilling to foreclose on a subject property under s. [75.521](#), Wis. Stats., the PACE lender may request that the City, pursuant to s. [75.106](#), Wis. Stats., assign the City's right to take judgment against the subject property, provided the PACE lender fully complies with all provisions of s. 75.106, Wis. Stats., as amended, concerning the subject property, and agrees to reimburse the City for foreclosure costs, pays the City all other charges accruing to the foreclosed property, including but not limited to, special charges other than PACE special charges, delinquent utility charges and personal property taxes, special assessments, special taxes, interest and penalties, and property taxes.

14. If the property is destroyed by fire or is otherwise abandoned, what happens to the PACE special charge?

The PACE special charges will continue to accrue to the property until they are repaid or a tax foreclosure is completed. If the PACE financing exceeds 10% of the property value or is in excess of \$2 million, the property owner shall carry property insurance with the City of Milwaukee and the PACE lender named as an additional insured.

15. Can the PACE lender purchase the property after a tax foreclosure?

Yes if the PACE lender is not in violation of ordinance [304-49-8](#). City ordinance [304-26.5-13](#) provides an opportunity for a 90 day marketing period during which the PACE lender may make offers to purchase the property before other parties. The sale to the PACE lender will be subject to Common Council approval, as are all sales of tax foreclosed properties. In this scenario as in other tax foreclosure scenarios, future annual installments of the PACE charge may not be added to the property tax rolls.

16. On page 4 of the PACE Program Manual, the description of the City’s ordinance 304-26.5 states that “By levying these annual installments as a special charge onto the property tax bill, this ordinance places a portion of the debt owed by the property owner to a private lender *before the owner’s property tax obligation to the city.*” The description continues by pointing out that in the event of foreclosure, all property taxes must be satisfied prior to paying the PACE lender’s loan.

The annual PACE loan assessments have priority over real (estate) property taxes prior to foreclosure (as in the case of partial payments), and the real (estate) property taxes have priority over PACE loan assessments after tax foreclosure.

17. PACE Supplemental Loan Agreement, Section 5(g) states that the City’s or the PACE lender’s sole remedy for non-payment is the City’s right to foreclose on the property, *except as provided in the Note.* Does the PACE lender have full recourse to a property owner directly if the Note provides for this?

Yes, if the notes provides for this.

18. PACE Supplemental Loan Agreement, Section 8, clause (c)(ii) indicates that if the City or the PACE lender forecloses on the property, the proceeds of the foreclosure sale are paid to the City and then to the PACE lender, “up to the Loan Amount.” Does this mean that the PACE loan could be accelerated?

No. If payments are delinquent or late, the PACE lender may not accelerate the loan balance, thereby making the building owner pay off the entire loan. However, delinquent payments may trigger a tax foreclosure action as described above, in which case the building owner loses title to the property. When the City subsequently sells the property, there may be sufficient proceeds to repay the PACE lender up to the Loan Amount with accrued interest and penalties, not just the missed PACE payments.

19. After a tax foreclosure, what incentive does the City have to sell the property at a value high enough to recover not only its costs, but the outstanding PACE loan balance?

The City actively markets tax foreclosed properties. The City has an interest in preserving the integrity of the PACE program and to maintain property values in the neighborhoods surrounding the foreclosed property. Further the PACE lender has the opportunity to bid on the property in advance of the broader market (“90 day marketing period”), and as such can bid an amount sufficient to generate enough proceeds to pay off the PACE Loan and any accrued interest and penalties. This bid could then act as a minimum proceeds for foreclosure.

20. PACE Program Manual: Lender provides funds to the owner who then pays the contractor. Why not have the lender disburse money directly to contractor? This could help prevent mechanic liens.

In a construction loan agreement, the PACE lender may directly pay the construction contractor to avoid construction liens. However, the PACE supplemental loan agreement does not address construction finance.

21. When does a PACE special charge become a lien on the property?

State statute [66.0627\(8\)c](#) says: An installment payment authorized under par. [\(a\)](#) that is delinquent becomes a lien on the property that benefits from the improvement or application as of the *date of delinquency* [italics added].

However, the PACE Agreement is recorded with the Register of Deeds at closing, and the PACE lender may additionally file a UCC-1 on installed equipment during the construction phase.

22. How is interest applied to delinquent PACE annual installments that are delinquent?

Wisconsin Statute [74.47](#) establishes penalties and fees for delinquent payments. The City applies a 1% interest rate per month plus a 0.5% penalty per month penalty on delinquent general property taxes, special charges, special assessments and special taxes included in the tax roll, including the PACE annual installment. The City keeps this penalty. However, the PACE lender may also apply its own penalties as described in the loan agreements. The PACE lender would apply these penalties when it certifies subsequent annual installments with the City.

Appendix B: Repayment Scenario Flow-Chart

