

APPENDIX D: REQUEST FOR MORTGAGE HOLDER CONSENT TO PROPOSED PACE BETTERMENT ASSESSMENT

This notice advises the existing mortgage holder that the property owner wishes to install energy improvements using financing provided through the PACE Massachusetts program and the property owner requests consent from any existing mortgage holder.

**PACE MASSACHUSETTS
REQUEST FOR MORTGAGE HOLDER CONSENT
TO PROPOSED PACE BETTERMENT ASSESSMENT AND LIEN**

Date:

Name of Mortgage Holder:

Property Address:

Property Owner/Borrower:

Municipality:

Loan Number:

Please be advised that the owner/borrower listed above (the "Owner") owns the property located at the address above (the "Property"). This notice and request for consent is being provided to you, as the holder of a mortgage lien on the Property.

NOTICE OF PROPOSED PARTICIPATION IN PACE MASSACHUSETTS

The Owner wishes to participate in the Massachusetts Commercial Property Assessed Clean Energy Program ("PACE Massachusetts" or the "Program"), authorized, pursuant to M.G.L.c. 23M, as amended (the "PACE Act"), and established, in consultation with the Massachusetts Department of Energy Resources ("DOER"), and administered by the Massachusetts Development Finance Agency ("MassDevelopment"). A copy of the PACE Act is attached as **Exhibit A**.

Through PACE Massachusetts, the owners of commercial, industrial, and multifamily properties (five or more units) can obtain financing to construct, renovate or retrofit their properties to reduce energy consumption or install renewable energy systems ("commercial energy improvements"). Under PACE Massachusetts, commercial energy improvements are eligible for financing, provided that the commercial energy improvements are permanently affixed to the property (the "benefitted property").

Under the Program, the financing of the commercial energy improvements is repaid through a betterment assessment (a "PACE betterment assessment") levied upon the benefitted property by the municipality in which the benefitted property is located. Municipal betterment assessments have long been used by cities and towns to finance improvements to real property that meet a public policy objective, such as the installation of sidewalks and sewer systems. Betterment assessments, including PACE betterment assessments, are levied on the benefitted property and collected in the same manner as municipal property taxes, including, in the event of a default or delinquency, with respect to any penalties, fees, and lien priorities.

The Owner wishes to undertake commercial energy improvements to the Property and to finance such improvements through PACE Massachusetts. Through providing this notice to you, the Owner is hereby requesting your consent to its participation in PACE Massachusetts, as described below.

QUALIFYING PACE PROJECTS

For a project to qualify for financing under the Program, the following basic criteria must be met:

- The property is located in a municipality that has opted to participate in the Program and has entered into a Municipal Assessment and Assignment Agreement with MassDevelopment (the "Municipal Agreement"), which governs the municipality's participation in the Program. Under the Municipal Agreement, the municipality is required to levy a PACE betterment assessment and impose a PACE betterment assessment lien (a "PACE Lien") on each benefitted property located in the municipality, in an amount determined by MassDevelopment to be needed to repay the PACE financing. The municipality also is required to collect the PACE betterment assessment payments and pay them over to MassDevelopment, for payment to the provider of the financing (the "PACE credit provider").
- The property is a commercial, industrial, or multi-family (five or more units) property.
- The proposed project consists of commercial energy improvements that meet the technical eligibility requirements established by DOER, and DOER has reviewed and approved the project for participation in PACE Massachusetts.
- The proposed commercial energy improvements are permanently affixed to the property.
- All municipal property taxes and any other betterment assessments levied on the property have been paid to date.
- The property owner receives consent from all existing mortgage holders.

CONSIDERATIONS FOR PROVIDING CONSENT

- ***Improvements financed through PACE Massachusetts are expected to reduce building operating costs.*** Under the Program's technical guidelines, a proposed project must have a Savings to Investment Ratio (SIR) greater than one, meaning that the energy cost savings from the commercial energy improvements over the useful life of the improvements exceeds the costs of the improvements (which costs include financing costs and associated fees), as reflected in DOER's approval of the project.
- ***PACE betterment assessments do not accelerate.*** In the event a mortgage holder were to foreclose on the benefitted property, only the amount of the PACE betterment assessment currently due and/or in arrears would be required to be satisfied as a senior lien on the benefitted property. In the event of a sale or transfer of the benefitted property, PACE betterment assessments run with the property and transfer to the new property owner.
- ***Improvements financed through PACE Massachusetts generally improve properties, often reducing maintenance and repair costs.*** In addition, energy measures improve the efficiency, health, and comfort of a building, making it more attractive to tenants and future owners.

WHAT YOU SHOULD KNOW

The Owner is seeking to participate in PACE Massachusetts to obtain financing for the proposed commercial energy improvements to the Property outlined in **Exhibit B**. If the proposed commercial energy improvements are ultimately approved for financing under the Program, a PACE betterment assessment would be levied on the Property and a PACE Lien recorded against the Property pursuant to the Municipal Agreement. Under the PACE Act, the PACE Lien, subject to the consent of existing mortgage holders, will take precedence over all other liens or encumbrances on the Property, except a lien of the Municipality for real property taxes. The PACE Lien will be assigned by the Municipality to MassDevelopment, and

MassDevelopment expects to further assign the PACE Lien as security for the financing to the PACE credit provider. A PACE Lien can be enforced in the same manner as any private party holding a lien on real property, including foreclosure in a manner consistent with the rights afforded a mortgagee. However, a PACE betterment assessment cannot be accelerated. The expected total amount of the PACE betterment assessment and the proposed payment schedule are set forth in **Exhibit C**.

PURPOSE OF THIS NOTICE

As required by the PACE Act, the Owner is sending this Request for Consent to Proposed PACE Betterment Assessment and Lien to you, as Mortgage Holder, to (i) provide notice of the Owner's proposed participation in PACE Massachusetts, (ii) inform you that if the proposed commercial energy improvements to the Property are ultimately approved for financing under PACE Massachusetts, a PACE betterment assessment will be levied upon the Property and collected in installments on the property tax bill in the same manner as and subject to the same penalties, fees and lien priorities as real property taxes assessed against the Property by the Municipality, (iii) declare the Owner's agreement to pay on a timely basis both the existing obligations secured by the Property (including the Loan) and the proposed PACE betterment assessment, (iv) request your consent, as the holder of a mortgage on the Property, to the Owner's participation in PACE Massachusetts, and to the levying of a PACE betterment assessment and the imposition of a PACE Lien on the Property, pursuant to the Municipal Agreement as described above, and (v) obtain your confirmation that the levying of the PACE betterment assessment and the imposition of the PACE Lien will not trigger a default or an event of default with respect to the Loan, or the exercise of any remedies under the documents and security instruments governing the Loan.

REQUEST FOR EXECUTION AND RETURN OF CONSENT

The Owner hereby confirms its intention to pay on a timely basis all existing obligations secured by liens on the Property, including the Loan, and the proposed PACE betterment assessment. Accordingly, the Owner hereby requests that you execute the attached Mortgage Holder Consent to Proposed PACE Betterment Assessment and Lien and return it to the undersigned at your earliest convenience.

Very truly yours,

PROPERTY OWNER NAME: _____

By: (signature): _____

MAILING ADDRESS: _____

EXHIBIT A

PACE ACT, M.G.L. c.23M

EXHIBIT B

DESCRIPTION OF PROPOSED COMMERCIAL ENGERGY IMPROVEMENTS

(Attach DOER Approval Letter)

EXHIBIT C
PAYMENT SCHEDULE

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