

June 21, 2021

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613-580-2424 x13192

**Re: Financing Terms for the City of Ottawa Property Assessed Clean Energy (PACE) Program**

Dear Wendy,

Vancity Community Investment Bank, and its wholly owned subsidiary, CoPower, (collectively, VCIB or Lender) has a strategic mission to finance a sustainable tomorrow. A key focus area for our clean energy lending stream is the financing of renewable energy and energy efficiency projects, including building retrofits.

VCIB was pleased to support the City of Ottawa's funding application to the Federation of Canadian Municipalities (FCM) Property Assessed Clean Energy Program ("**PACE**" or the "**Program**"). We have reviewed the preliminary programmatic and financial information provided to us and based on this review and subject to customary due diligence and investment committee approval, we would be prepared to provide an executable Term Sheet/Letter of Intent ("**LOI**") for a secured loan to the City of Ottawa to capitalize the Program.

VCIB believes the City of Ottawa's use of a PACE Program to accelerate building retrofits will reduce carbon emissions and in turn residents' monthly energy usage. This is a critical step in meeting Canada's Paris Climate Target and building a net-zero economy. We are excited to participate and support the deployment of this Program.

The indicative and preliminary terms for the proposed financing are contained in Appendix A.

We look forward to next steps and the opportunity to work with you.

Kind regards,



**VINCE GASPARRO**  
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**APPENDIX A**

**PRELIMINARY LOAN TERMS**

<b>BORROWER/SPONSOR</b>	The City of Ottawa.
<b>PURPOSE</b>	To provide loans to homeowners for the PACE Program. It is understood the City will in turn flow the loans through to homeowners with an interest rate premium (expected to be 1%) to cover Program delivery costs.
<b>LOAN SIZE AND ADVANCES</b>	<p>Secured Loan estimated at \$3,887,000.</p> <p>Two Advances as follows:</p> <ol style="list-style-type: none"> <li>1) \$1,200,000 at financial close, to be utilized during the first two years of the Program (estimated between July 1, 2021 and June 30, 2023).</li> <li>2) \$2,687,000 approximately two years from financial close, to be utilized during the third year of the Program (estimated between July 1, 2023 and June 30, 2024).</li> </ol> <p>If Program adoption is faster than anticipated Advances can be accelerated, and additional funding can be made available.</p>
<b>TERM AND AMORTIZATION</b>	Fully amortizing over a Term of 20 years from the date of financial close.
<b>RATE</b>	<p>Estimated at 3.00% p.a. based on VCIB Prime plus 55 basis points (bps), based on an estimated close date in Q3, 2021.</p> <p>VCIB Prime at the time of this letter is 2.45%. The City will have the option to Advance to full Loan Size at financial close to secure the estimated Rate.</p>
<b>PAYMENTS</b>	Quarterly payments of interest and principal.
<b>REPAYMENTS</b>	Early Repayments will be permitted in a minimum of \$200,000 increments provided 60 days notice and a 60 day interest prepayment penalty.
<b>SECURITY</b>	<p>The City will be securing the loans to homeowners through a priority lien on the property of each PACE Program participant, as per the Local Improvement Charge mechanism.</p> <p>The City of Ottawa has maintained a AAA credit rating for the past six years and, as such, is a strong counterparty for these loans.</p>

<b>RESERVES</b>	It is not anticipated at this time that any Reserves will be required due to the implementation of an FCM-backed Loan Loss Reserve Fund, coupled with the City's strong credit rating and the priority lien on the properties.
<b>REPORTING</b>	Quarterly reporting on Program performance and quarterly/year to date financial statements for the Borrower.
<b>LENDER FEES</b>	<p>\$15,000 non-refundable work fee due on signing of an LOI. Upon financial close of the transaction.</p> <p>Closing Fee equal to 0.75%.</p> <p>\$8,500 annual administration fee.</p>
<b>EXPENSES</b>	<p>Third-party expenses paid by the Borrower from Loan proceeds at financial close.</p> <p>It is anticipated the only third party expenses will be Lender legal expenses related to drafting of the Credit Agreement and associated documentation. Estimates/quotes to be furnished alongside an executable Term Sheet/LOI.</p>