

**ECONOMIC AND WORKFORCE DEVELOPMENT
COUNCIL COMMITTEE MEETING MINUTES
TUESDAY, DECEMBER 3, 2019
2:00 PM
MUNICIPAL PLAZA BUILDING**

Members Present:	Councilmember Rebecca Viagran, <i>Chair, District 3</i> Councilmember Shirley Gonzales, <i>District 5</i> Councilmember Melissa Cabello Havrda, <i>District 6</i> Councilmember Manny Peláez, <i>District 8</i> Councilmember John Courage, <i>District 9</i>
Staff Present:	Carlos J. Contreras, <i>Assistant City Manager</i> ; Durine Fahim, <i>Assistant City Attorney, City Attorney's Office</i> ; Douglas Melnick, <i>Director, Office of Sustainability</i> ; Christina Ramirez, <i>Assistant City Attorney, City Attorney's Office</i> ; Michael Sindon, <i>Assistant Director, Economic Development</i> ; Nancy Cano, <i>Office of the City Clerk</i>
Others Present:	Rich Acosta, <i>President, My City is My Home</i> ; T. Adil Chowdhury, <i>Climate Advisor, Natural Resources Defense Council</i> ; Charlene Heydinger, <i>President, Texas Pace Authority</i> Steve Nivin, <i>Chief Economist, Steven R. Nivin, Ph.D., LLC.</i>

Call to Order

Chairwoman Viagran called the meeting to order.

1. Approval of the Minutes from the Economic and Workforce Development Committee Meeting on November 5, 2019.

Councilmember Peláez moved to approve the Minutes of the November 5, 2019 Economic and Workforce Development Council Committee Meeting. Councilmember Courage seconded the motion. The motion carried unanimously.

2. A Briefing on the Property Assessed Clean Energy (PACE) Act, the proposed City PACE Program, and professional service agreement with the Texas PACE Authority for program administration. [Carlos J. Contreras III, *Assistant City Manager*; Alejandra Lopez, *Interim Director, Economic Development Department*]

Michael Sindon presented a briefing on the Property Assessed Clean Energy (PACE) Act, the proposed City PACE Program, and a proposed professional service agreement with the Texas PACE Authority for program administration. Mr. Sindon stated that the proposed City PACE Program was designed to establish an innovative financing tool that would allow owners of commercial, industrial, and large multi-family residential properties access to low-cost, long-term loans to conduct energy efficiency and water conservation improvements to real property.

Mr. Sindon stated that the PACE Act would encourage property owners to undergo retrofitting of older buildings that may have been previously delayed by providing 100% upfront funding over a 20+ year repayment term. He explained that the savings expected as a result of the improvements would require validation by a third-party reviewer, further reinforcing the likelihood of a positive cash-flow for the business. He stated that PACE loans would be paid and secured by a property assessment, through voluntary consent of the property owner. He added that the PACE Act would allow for transfer of obligation automatically upon sale. He noted that senior lien status of PACE assessments reduced the risk of non-payment, which made financing attractive to long-term and risk-averse lenders. Mr. Sindon outlined the PACE Program steps for the building owner, the lender, and the City.

Mr. Sindon stated that the adoption of a PACE Program would benefit all stakeholders involved. He added that the City would meet energy and clean air goals. He stated that qualified PACE would reduce the demand for more electricity and/or improve water conservation efforts in the region. He noted that the PACE Program aligned with the City's other adopted plans such as the SA Tomorrow Sustainability Plan, San Antonio's Climate Action and Adaption Plan and American Cities Climate Challenge Memorandum of Understanding signed on June 20, 2019. He stated that since 2013, 13 cities and 23 counties representing approximately 50% of the Texas populations have participated in 26 PACE Projects totaling approximately \$101.5 million in investments.

Mr. Sindon recommended that City Council take action to pass a Resolution of Intent, along with a report outlining the program. He stated the report would be published for review and a public hearing would be held. He outlined the third party administrator criteria and stated that the City would enter into a professional services agreement with Texas PACE Authority (TPA) to function as the third party administrator of the Program. He noted that the TPA would be charged with reviewing the PACE agreements and ensuring any contract entered into by both lender and property owner meet the requirements of the PACE Act.

Mr. Sindon stated that upon establishment of a City PACE Program and professional services agreement with TPA, marketing efforts would be deployed to educate local property owners on the PACE Program. He emphasized that specific outreach would be made to engage with local minority, women, or veteran property owners, as well as the non-profit community. He added that the Environmental Development Department (EDD) would also coordinate with TPA to gather demographic data on interested property owners and closings on PACE loans to determine potential disparities in knowledge and accessibility of these loans, which could result in future program amendments.

Chairwoman Viagran asked how third party administrators would benefit from the Pace Program. Mr. Sindon replied that third party administrators would assess application fees and closing fees. Charlene Heydinger added that the Texas PACE Authority was a non-profit organization that utilized a business model plan of lowest possible rates at high volume. She stated that the Texas Pace Authority assessed a fee of 1% of the project at closing, for the first \$5 million and .05% for projects at closing worth between \$5 million to \$20 million. She added that eight basis points were assessed on the remainder of the loan, so as to ensure there would be adequate revenue in the event of a bad year. She noted that the eight basis points to be recently lowered from a previous

ten basis points. Ms. Heydinger stated that the Texas PACE Authority was created in 2015 and that it crossed the \$100 million dollar mark in 2019 through a high bar of consumer protection and best practices.

Councilmember Gonzales asked what agencies were funding the Texas PACE Program. Mr. Sindon replied that potential funders could be private banks or community development finance institutions. Carlos J. Contreras added that Community Reinvestments Acts would also provide funding for economically depressed areas. Ms. Heydinger stated that most national lenders are equity providers such as Petros Pace Financing located in Austin, Texas. She added that Texas PACE Program provided the names of thirteen lenders that meet their criteria on its website and that property owners could choose any of these lenders. She stated Texas PACE Program would continue its outreach program for more local lenders and that it would continue to pursue HUD participation.

Councilmember Gonzales asked what the amount of an average loan was. Ms. Heydinger stated the smallest project to date was for \$74,000 and the largest project was for \$24 million.

Councilmember Perry observed that only two entities had been identified as third party administrators and asked if staff would prepare a Request for Proposal (RFP) to seek other potential third party administrators. Mr. Sinton acknowledged that the submittal of an RFP could be an option, but that it was a lengthy process that would not be completed earlier than April 2020. He stated the recommendation was for the City to approve a Resolution of Intent at the City Council A Session scheduled for December 5, 2019; thereafter, a PACE Program could be implemented and the City could enter into a professional services agreement with a third party administrator who has met the established PACE Program criteria.

Councilmember Perry asked if partnering agencies CPS or SAWS were aware of the PACE Act and if they had perhaps rescinded rebates, offers or discount programs in response. He requested that CPS or SAWS be contacted for their feedback on the PACE Act, if not already contacted. Mr. Douglas Melnick replied that he had contacted CPS, but had not contacted SAWS yet. He stated that CPS was aware of the Pace Program and CPS believed the Program would leverage CPS resources. He added that property owners eligible for the PACE Program could also take advantage of CPS rebates, making the PACE Program even more effective.

Chairwoman Viagran requested further feedback from CPS and SAWS before the Resolution of Intent is presented to City Council A Session on December 5, 2019.

3. A Briefing on the Economic Development Department's new cost-benefit analysis tool. [Carlos J. Contreras, *Assistant City Manager*; Alejandra Lopez, *Interim Director, Economic Development Department*]

Alejandra Lopez presented a brief update on the Economic Development Department's (EDD) new cost-benefit analysis tool. Ms. Lopez stated that EDD currently used a 22-tab Microsoft Excel spreadsheet cost-benefit analysis tool to calculate the City's fiscal impact when pursuing business relocation, retention, or expansion projects, inclusive of City incentives, such as abatements, rebates, grants, and fee waivers. She noted that the current cost-benefit analysis tool could calculate

a project's break-even point and that it could even project an estimated date the City could expect to receive any fiscal benefit from a particular project. She stated that the analysis tool also included projected CPS revenues which be quite significant for particular projects.

Ms. Lopez explained that pursuant to the updated 2019-2020 Tax Abatement Guidelines, the City had the option of reinvesting a percentage of an estimated tax abatement into internships, education, workforce support, or partnership options focused on small business development, sustainability, employee wellness, and commuter benefits. She noted that a cost benefit analysis tool needed the capability to calculate true abatement values in order for the City to conduct negotiations.

Ms. Lopez stated that in November 2019, EDD began to explore improvements to the cost-benefit analysis tool with the goals of increased automation, reduced manual entry, and the ability to include additional factors in various calculations. She noted that the current tool was not user-friendly as it required substantial manual entry and lacked automation on annual updates to factors such as tax rates.

Ms. Lopez stated that EDD conducted an informal bidding process which resulted in the selection of the Impact DashBoard software application due to its ability to provide a highly customizable profile for San Antonio and its enhanced customer support capabilities. She stated that Impact DashBoard had 144 nation-wide subscribers and was used by various communities in Texas including New Braunfels, El Paso, Fort Worth, Houston, along with Port San Antonio. Ms. Lopez stated that staff consulted DashBoard in-house economists, Dr. Steven R. Niven, a local economic consultant, and respective City departments to analyze the different outputs, models and data variables to assess potential projects. She presented a substantial generated test project report that demonstrated Impact DashBoard's capability to model various scenarios. She noted that an annual subscription in the amount of \$7,500 was purchased.

Ms. Lopez stated that staff started phasing in the implementation of Impact DashBoard tool. She added that current cost of government services for Fire, Police and Transportation & Capital Improvements were added and that additional factors would be added as data is gathered. She said that Impact Dashboard would be used for the rest of the fiscal year FY 2020 and that staff would re-evaluate its performance in FY 2021 to determine if the software would continue to be utilized on an annual contractual basis thereafter.

Councilmember Peláez challenged staff to run a cost-benefit analysis of a previous project on the Impact DashBoard program to test the accuracy of past projections on the old cost-benefit analysis tool in comparison of projections generated by the new analysis tool.

Adjourn

There being no further discussion, the meeting was adjourned at 3:31 pm.

Rebecca Viagran, Chairwoman

Respectfully Submitted,

Nancy Cano
Office of the City Clerk