



# City of San Antonio

## Agenda Memorandum

**File Number:**20-1966

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**Agenda Item Number:** 22.

**Agenda Date:** 3/5/2020

**In Control:** City Council A Session

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**DEPARTMENT:** Economic Development

**DEPARTMENT HEAD:** Alejandra Lopez

**COUNCIL DISTRICTS IMPACTED:** City-wide

### **SUBJECT:**

Conduct a public hearing regarding the adopted Resolution of Intent to establish a Property Assessed Clean Energy (PACE) program within the San Antonio city limits along with consideration to authorize an Ordinance to Establish a City PACE program.

### **SUMMARY:**

Pursuant to the State of Texas Property Assessed Clean Energy (PACE) Act, staff is requesting City Council conduct a public hearing regarding the adopted Resolution of Intent to establish a PACE program within the San Antonio city limits along with consideration to authorize an Ordinance to Establish a City PACE program. The Texas PACE Act and proposed City PACE Program is designed to promote the City's sustainability and economic development efforts by establishing an innovative financing tool that allows owners of commercial, nonprofit, industrial, and large multi-family residential properties access to low-cost, long-term loans to conduct energy efficiency and water conservation improvements fixed to real property. If City Council adopts the Ordinance to Establish a City PACE program, the Alamo Area Council of Governments (AACOG) will administer the City's PACE program through an Interlocal Agreement previously approved by City Council.

### **BACKGROUND INFORMATION:**

Passed by the Texas legislature in 2013, the Property Assessed Clean Energy (PACE) Act created an innovative financing tool that allows owners of commercial, nonprofit, industrial, and large multi-family residential properties access to low-cost, long-term loans to conduct energy efficiency and water conservation improvements fixed to real property. Since the establishment of the Texas PACE Act, over 35 counties and cities have implemented the program in their jurisdictions resulting in 26 executed projects valued at over \$100 million in loans.

The PACE Act allows a local government to designate an area within its legal jurisdiction where record owners of commercial, nonprofit, industrial, and large multi-family residential real property may gain access to this financing tool. This program helps lower financial barriers that delay or prevent property owners from implementing energy and water efficiency improvements. The savings expected as a result of the improvements must be validated by a third-party reviewer, further reinforcing the likelihood of a positive cash-flow for the business.

PACE loans are paid through and secured by a property assessment voluntarily imposed with consent from existing property owners. The senior lien status of PACE assessments reduces the risk of non-payment, making this form of financing attractive to long-term and risk-averse lenders. The term of an assessment may extend through the projected life of the improvement.

Additionally, adopting a PACE program helps local municipalities meet energy and clean air goals, as qualified projects under the program reduce the demand for more electricity and/or improve water conservation efforts in the region. Beyond meeting sustainability goals, PACE has proven to foster economic development efforts. The Houston Advanced Research Center (HARC) analyzed 20 PACE projects and determined they would result in the creation of 600 jobs, elimination of a projected 46,000 tons of carbon dioxide and save approximately 67 million gallons of water.

On February 20, 2020, City Council adopted a Resolution of Intent declaring the City's intention to establish a PACE Program within the San Antonio city limits and called for a public hearing to be held on March 5, 2020. City Council also approved an Interlocal Agreement with the Alamo Area Council of Governments (AACOG) to operate as the program's third-party administrator, contingent upon City Council authorizing an Ordinance to Establish a City PACE program. Concurrently, the City published a report detailing the program on the Economic Development Department's (EDDs) website ([www.sanantonio.gov/EDD](http://www.sanantonio.gov/EDD)) and made a physical copy available for public viewing in its offices (City Tower, 100 W. Houston St., Suite 1900, San Antonio, TX 78205). The report highlights the finance structure of the program, improvements eligible for a PACE loan, general program administration including the third-party administrator, and the geographical boundaries of the proposed PACE Program, which is the San Antonio city limits.

## **ISSUE:**

Upon City Council authorizing a Resolution declaring the City's intention to establish a PACE program and an Interlocal Agreement with AACOG to serve as the program's third-party administrator, City Council must also conduct a public hearing regarding the proposed program and adopt an Ordinance to Establish a City PACE program.

Upon establishment of a City PACE program, marketing efforts will be deployed to educate local commercial, nonprofit, industrial, and large multi-family residential property owners on the PACE program. Specific outreach will be made to engage with local minority, women, and veteran property owners, as well as the nonprofit community. EDD will also coordinate with AACOG to gather demographic data on property owners interested in and closing on PACE loans to determine potential disparities and program amendments.

## **ALTERNATIVES:**

If City Council chooses not to authorize an Ordinance to Establish a City PACE program, owners of commercial, nonprofit, industrial, and large multi-family residential properties would not be able to obtain low-cost, long-term loans provided through the PACE program to conduct energy efficiency and water conservation improvements to real property.

**FISCAL IMPACT:**

This Ordinance will have no fiscal impact on the City of San Antonio.

**RECOMMENDATION:**

Staff recommends approval of an Ordinance to Establish a PACE program within the San Antonio's city limits pursuant to the Texas PACE Act.