



# City of San Antonio

## Agenda Memorandum

**File Number:**20-1971

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**Agenda Item Number:** 26A.

**Agenda Date:** 2/20/2020

**In Control:** City Council A Session

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**DEPARTMENT:** Economic Development

**DEPARTMENT HEAD:** Alejandra Lopez

**COUNCIL DISTRICTS IMPACTED:** City-wide

### **SUBJECT:**

Authorize a Resolution of Intent to establish a Property Assessed Clean Energy (PACE) program and an Interlocal Agreement with the Alamo Area Council of Governments to administer the PACE program contingent upon City Council formally establishing the City PACE Program.

### **SUMMARY:**

Pursuant to the State of Texas Property Assessed Clean Energy (PACE) Act, staff is requesting City Council authorize a Resolution of Intent to create a PACE program within the San Antonio city limits, as well as an Interlocal Agreement with the Alamo Area Council of Governments to administer the PACE program contingent upon City Council formally establishing the City PACE Program. In addition, staff is requesting City Council call for a public hearing during the March 5, 2020 City Council A Session Meeting in which City Council will consider authorizing a Resolution to Establish a PACE Program. The 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 to real property.

### **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 to real property. Since the establishment of the PACE Act in Texas, 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 the ability 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. 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 67,000 gallons of water.

## **ISSUE:**

In order for San Antonio property owners to access PACE loans that help facilitate building retrofits that promote City sustainability and economic development efforts, City Council must take action to pass a Resolution of Intent, accompanied with a public report that outlines the program. The report highlights the finance structure of the program, improvements eligible for a PACE loan, general program administration, and the geographical boundaries, which is the San Antonio city limits of the proposed PACE Program. The report can be found on the City's Economic Development Department (EDD) website ([www.sanantonio.gov/edd](http://www.sanantonio.gov/edd) <<http://www.sanantonio.gov/edd>>) and physical address (City Tower, 100 W. Houston St., Suite 1900, San Antonio, Texas 78205). The report also notes that the City proposes to enter into an Interlocal Agreement with the Alamo Area Council of Governments (AACOG) to serve as the PACE program's third party administrator, contingent upon Council formally establishing the City PACE Program, to ensure all PACE projects in San Antonio meet the statute requirements and financing structure of the program. As part of their duties, AACOG will be responsible for sending out annual notices to business owners alerting them of their payment due. Owners will be responsible for paying their lender directly.

AACOG serves as a third party administrator for PACE programs through Interlocal Agreements with various cities and counties in the region. As part of their Interlocal Agreements, AACOG secured a partnership with the Texas PACE Authority to assist with administering their PACE programs. For the purposes of administering the PACE program in San Antonio, AACOG has agreed to conduct a public solicitation process to select a respondent who demonstrates the best qualifications, experience, and proposed plan to assist in the management of the City's PACE program. Emphasis will be placed on respondents who demonstrate engagement with underserved communities as well as the fees assessed for each completed loan.

After the Resolution of Intent and Interlocal Agreement with AACOG are adopted by City Council and the report is published for public review, City Council must hold a public hearing in which they will consider authorizing a Resolution to establish a PACE Program. The public hearing will take place on March 5, 2020 in Council Chambers during the City Council A Session Meeting.

Upon establishment of a City PACE Program and an Interlocal Agreement with AACOG, marketing efforts will

be deployed to educate local commercial, non-profit, industrial, and large multi-family residential property owners on the PACE Program. Specific outreach will be made to engage with local minority, women, or veteran property owners, as well as the non-profit community about the PACE Program. The Economic Development Department 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 a Resolution of Intent to establish a 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. If City Council chooses to authorize a Resolution of Intent to establish a PACE program, but chooses not to authorize an Interlocal Agreement with AACOG, the City will not have a third-party administrator to oversee the PACE program and would assume all responsibilities and requirements associated with administration of the program.

**FISCAL IMPACT:**

This resolution will have no fiscal impact to the City of San Antonio.

**RECOMMENDATION:**

Staff recommends approval of a Resolution of Intent to establish a PACE program within the City of San Antonio's city limits pursuant to the PACE Act, as well as approval of an Interlocal Agreement with AACOG to administer the PACE program contingent upon City Council formally establishing the City PACE Program.