



City of San Antonio

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Title: A briefing on the Property Assessed Clean Energy (PACE) Act, the proposed City PACE Program, and the proposed Interlocal Agreement with the Alamo Area Council of Governments for program administration. [Carlos Contreras, Assistant City Manager; Alejandra Lopez, Director, Economic Development Department]

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DEPARTMENT: Economic Development

DEPARTMENT HEAD: Alejandra Lopez

COUNCIL DISTRICTS IMPACTED: City-wide

SUBJECT:

A briefing on the Property Assessed Clean Energy (PACE) Act, the proposed City PACE Program, and the proposed Interlocal Agreement with the Alamo Area Council of Governments for program administration.

SUMMARY:

A briefing by the Economic Development Department (EDD) on the Property Assessed Clean Energy (PACE) Act, the proposed City PACE Program, and the proposed Interlocal Agreement with the Alamo Area Council of Governments (AACOG) for program administration. 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, non-profit, 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, non-profit, 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 over 25 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, non-profit, 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 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 property owner.

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 67,000K gallons of water.

ISSUE:

In order for eligible 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 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 of the proposed PACE program, which is the San Antonio city limits.

After a Resolution of Intent is adopted by City Council, the report is published for public review, and a public hearing is held, the City can adopt a Resolution to Establish a PACE Program within the San Antonio City Limits. Additionally, the City proposes to enter into an Interlocal Agreement with AACOG to function as the third party administrator of the program. If approved by Council, AACOG will be charged with reviewing the PACE agreements and ensuring any contract entered into by both lender and property owner meet the requirements of the Texas PACE Act. AACOG has experience serving as a third party administrator for PACE programs as they have entered into multiple Interlocal Agreements with various cities and counties in the region they serve. 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.

Upon establishment of a City PACE Program and 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 program, especially in underserved communities. 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. 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.

FISCAL IMPACT:

There is no fiscal impact associated with this briefing.

RECOMMENDATION:

Staff will present a briefing on this item subject to possible action by the Committee.