



City of San Antonio

Agenda Memorandum

File Number:19-8499

Agenda Item Number: 25.

Agenda Date: 12/5/2019

In Control: City Council A Session

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.

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. In addition, staff is requesting City Council call for a public hearing during the December 12, 2019 City Council A Session Meeting in which City Council will consider authorizing an Intent 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, 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, 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, 33 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, 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 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 67,000K 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 of the proposed PACE Program, which is the San Antonio city limits. The report also notes that the City will contract with a third party administrator to ensure all PACE projects in San Antonio meet the statute requirements and financing structure of the program. As part of their duties, the administrator 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. The report can be found on the City's Economic Development Department (EDD) website (www.sanantonio.gov/edd <<http://www.sanantonio.gov/edd>>) and physical address (City Tower, 100 W. Houston St., Suite 1900, San Antonio, Texas 78205).

After a Resolution of Intent is 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 an Intent to Establish a PACE Program. The public hearing will take place on December 12, 2019 in Council Chambers during the City Council A Session Meeting. In addition to authorizing an Intent to Establish a PACE Program, City Council will also consider entering into a professional services agreement with the Texas PACE Authority (TPA) to function as the third party administrator of the program. TPA 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 PACE Act. TPA has a proven track record of administering the program in multiple cities and counties across Texas and has experience educating the business community about the benefits of the PACE program.

Upon establishment of a City PACE Program and professional services agreement with TPA, marketing efforts will be deployed to educate local 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. EDD will also coordinate with TPA 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, 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 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.