



City of San Antonio

Agenda Memorandum

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In Control: Economic and Workforce Development Committee

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 a professional service agreement with the Texas PACE Authority for program administration.

SUMMARY:

A briefing by the Economic Development Department (EDD) on the new Property Assessed Clean Energy (PACE) Act, the proposed City PACE Program, and professional service agreement with the Texas PACE Authority 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, 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 owners of commercial, industrial, and large multi-family residential real property may gain access to this financing tool. This program helps mitigate 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 report that outlines the program. The report highlights the finance structure of the program, improvements eligible for a PACE loan, and general program administration.

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 then officially establish a PACE Program within the San Antonio City Limits. Additionally, the City will enter 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 in knowledge and accessibility of these loans, which may result in future program amendments.

FISCAL IMPACT:

There is no fiscal impact associated with this briefing.

RECOMMENDATION:

This briefing is for informational purposes.