Friday, September 25, 2015

Annise Parker, Mayor
Brenda Stardig, City Council Member – District A
Jerry Davis, City Council Member – District B
Ellen Cohen, City Council Member – District C
Dwight Boykins, City Council Member – District D
Dave Martin, City Council Member – District E
Richard Nguyen, City Council Member – District F
Oliver Pennington, City Council Member – District G
Ed Gonzalez, City Council Member – District H
Robert Gallegos, City Council Member – District I
Mike Laster, City Council Member – District J
Larry Green, City Council Member – District K
Stephen Costello, City Council Member – At Large 1
David Robinson, City Council Member – At Large 2
Michael Kubosh, City Council Member – At Large 3
C.O. “Brad” Bradford, City Council Member – At Large 4
Jack Christie, City Council Member – At Large 5

City of Houston
900 Bagby Street
Houston, Texas 77002

Dear Mayor Parker and City Council Members,

We encourage you to create a Property Assessed Clean Energy Program (PACE) region, which will be among the first in Texas. The authority to create such a district was provided in 2013 through the Texas PACE statute, SB 385. With this new program, the City of Houston will create jobs, promote business retention and expansion, upgrade building stock, promote energy and water conservation, and serve as a model for the rest of the state. The program is entirely voluntary and does not rely on taxpayer funding.

The proposed PACE region is being developed with the guidance of Keeping PACE in Texas’ PACE in a Box. This is the nation’s first PACE model designed by volunteer stakeholders to be user-friendly, uniform, sustainable and scalable. Using a uniform, Texas-designed model, PACE in a Box decreases costs and increases the likelihood of greater participation by local firms. This market-based approach will assist City of Houston businesses to address deferred maintenance by investing in energy and water conservation-based improvements to their properties without the risk of over-investment. PACE enables commercial, industrial and multifamily real estate property owners to overcome the steep upfront costs for water and energy efficiency improvements by utilizing private sector financing for up to 100% of the capital improvements. This is done through a voluntary contractual PACE property assessment secured by a senior lien on the property. Businesses will benefit by saving more on their monthly utility bills than the costs of the financed improvements. If the

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property is sold before the full amount of the PACE assessment is repaid, the repayment obligation automatically transfers to the next owner.

We urge your support for PACE open-market financing for commercial, industrial and multifamily properties in the City of Houston.

Sincerely,

[Signature]

Charlene Heydinger

360 PACE Lending
Advanced Energy Capital LLC
Affiliated Engineers, Inc.
AMERESCO, Inc.
ASHRAE Houston Chapter
Clean Fund LLC
Climatec LLC
Direct Energy
Dixie Chemical Company, Inc.
DN Commercial
EES (Energy Efficiency & Sustainability Consulting)
EDF (Environmental Defense Fund)
Energy by 5
Enterprise Realty Group
E3 Integral Solutions, Inc.

Environment Texas
EPI Engineering
Evelyn Rubenstein Jewish Community Center
First Choice Energy
Green Bank, N.A.
Greenworks Lending LLC
Houston Building Owners and Managers Association
HREG (Houston Renewable Energy Group)
Huron Group
IDEA (International District Energy Association)
IFMA Houston
Inland Green Capital LLC
Johnson Controls, Inc.

KawaPACE LLC
McCully Solar Group
MLN Company
MP2 Energy
Nexos Resource Partners LLC
NRG Energy, Inc.
PACE Houston
Peloton Commercial Real Estate
Pepco Energy Services
Petros Capital Partners
Rosenthal Energy Advisors
Schneider Electric, Inc.
Siemens Industry, Inc.
Simon Property Group, Inc.
SPEER (South Central Partnership for Energy Efficiency As A Resource)
Structured Finance Associates LLC
TAB (Texas Association of Business)
Texas Drought Project
The Butler Firm
Thompson & Knight LLP
Trane, Inc.
Transwestern Commercial Services LLC
TREIA (Texas Renewable Energy Industry Association)
TSPA (Texas Solar Power Association)
U.S. Green Building Council (USGBC) – Texas Gulf Coast Chapter
U.S. Business Council for Sustainable Development
Weyerhaeuser Energy
Zieben Group

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Are property owners in your district interested in upgrading their commercial properties with energy/water efficiency and renewable technologies but lack the needed capital? Do they feel uncomfortable taking out a traditional loan?

The City of Houston has the opportunity to establish a PACE (Property Assessed Clean Energy) program, a new financing option that allows property owners to take advantage of energy and resource saving technologies today.

The Texas PACE Authority administers an innovative financing program enabling commercial, industrial, multi-family, and agricultural property owners to obtain low-cost, long-term loans covering up to 100 percent of energy efficiency, water conservation, and renewable energy projects.

A City of Houston PACE program would enable the utility savings provided to property owners by these building upgrades to be greater than the cost required to finance them. In most cases, this would mean an immediate positive cash flow for their businesses. If they decide to sell their property, the loan will be the responsibility of the new owner, so property owners can modernize their property without fear of over investment.

A convenient PACE loan assessment can include:

- Cost of materials and labor necessary for the installation of a qualified improvement
- Permit fees
- Inspection fees
- Lender fees
- Program application and administrative fees
- Project development and engineering fees
- Independent third party reviewer audit fees, including verification fees
- Any other fees or costs that may be incurred by the property owner incidental to the installation, modification or improvement
- Legal, consulting and other fees on an actual cost basis
- Changes to the existing property incidental to the installation
COMMERCIAL PROPERTY OWNERS: Ready to get started with PACE?

Steps a property owner would go through to complete a PACE project from start to finish.

1. Decide what energy efficiency, water conservation and renewable energy measures would be best for the property. Generally, a PACE project must reduce an owner’s energy and water consumption or generate distributed energy.

2. Find a contractor to help the owner with the design and installation of the project.

3. Find a qualified lender or capital provider to finance the PACE loan. The Texas PACE Authority can help owners find a private capital provider.

4. Obtain existing mortgagee consent. If the property has a mortgage, the owner will need to get existing mortgagee consent before a PACE assessment can be applied.

5. Undergo a technical analysis as part of a PACE application, following the PACE in a Box Technical Standards Manual.

6. Find an independent third party reviewer to conduct an audit of the energy savings projections and of the finished project.

7. Close on the loan. Note that PACE requires a legal contract between the property owner and the city and between the lender and the city. At closing, a PACE assessment lien will be filed on the property.

Contractors, Equipment Providers and Lenders Also Reap PACE Benefits

Commercial property owners are not the only ones who can benefit from PACE financing. The program also offers new growth opportunities to contractors and equipment providers specializing in energy/water efficiency and renewable equipment, as well as lenders and capital providers.

PACE financing is affordable and flexible, making it easier for contractors to entice new customers and secure more projects. From this, equipment providers will receive more and larger orders from the contractors to fulfill their projects.

Lenders will find a PACE loan to be a sound, secure financial investment. Similar to a property tax lien, a PACE loan has priority over other liens on a commercial property. In case of a default, the loan portion in arrears has priority over other debts, so the risk of loss due to non-payment is low compared to most other types of loans. Lenders can also differentiate themselves in the competitive commercial loan marketplace with the PACE program’s innovative structure and terms to help owners take care of property maintenance issues sooner rather than later.

To learn more about how a City of Houston PACE program could benefit commercial property owners, contractors, energy/water efficiency equipment providers, or lenders, visit TexasPACEAuthority.org today!

Photo credits: Greater Houston Convention and Visitors Bureau
Property Assessed Clean Energy (PACE) is financing that enables Houston owners of commercial, industrial and residential properties with five or more units to obtain low-cost, long-term loans for water conservation, energy-efficiency, and renewable retrofits.

**Texas’ PACE Statute**

The 2013 Texas PACE statute, SB 385, authorizes municipalities and counties to create a local PACE program and work with private sector lenders and property owners to finance qualified improvements using an optional economic development tool called the contractual property assessment. In exchange for funds provided by a private lender to pay for the improvement, the property owner voluntarily requests that the local government place an assessment secured with a senior lien on the property until the assessment is paid in full.

**Community Benefits**

The benefits of PACE are multi-faceted, leading to a win-win-win scenario for virtually all stakeholders:

**For Local Governments**
- Improving property on the tax rolls creates jobs, increases property value and sales tax revenue, and encourages business retention and expansion.
- Updated buildings have increased occupancy, rental rates and net operating income.
- Risk of obsolescence of an aging building stock is reduced.
- The community’s “clean city” reputation is improved, attracting workers and families.
- There is no burden on the community’s general fund or borrowing capacity—private sector PACE financing is tax neutral.

**For the Economy**
- PACE unlocks opportunities for contractors, manufacturers and engineering firms.
- PACE retrofits improve the efficiency and competitiveness of existing building stock.

**For Owners of Commercial, Industrial, and Large Multi-Family Properties**
- Money once spent on utilities can now be capitalized and used to pay for infrastructure upgrades, resulting in bottom-line savings.
- Extended payback periods afford an immediate cost benefit. Assessments can be spread over multiple years, and the assessment remains with the property, allowing the utility savings to exceed the cost of the property assessment.
- Businesses can utilize utility savings and hedge against increased costs.
- With the application of power generation technologies, properties and operations can be protected from power blackouts or brownouts.

**For Lenders**
- Because a PACE loan is secured by the assessment, lenders can leverage its value to better serve clients with property in need of infrastructure improvements.
- PACE offers a new avenue for moving an influx of capital into the marketplace.
- Lenders are protected because those with mortgages on existing property must give written consent before that property is eligible for a PACE assessment.
- Local lending allows current mortgage holders an option to make the PACE loan.

www.KeepingPACEinTexas.org
For Our Water Resources and the Environment

- Water- and energy-efficient buildings reduce stress on community resources, particularly the state’s water supply.
- Energy-efficient buildings help communities meet clean air goals and requirements and provide healthier environments for their occupants.

Details

The term of a PACE assessment may extend up to the projected life of the improvement, resulting in utility cost savings that exceed the amount of the assessment payment. PACE improvements generate positive cash flow upon completion with no out-of-pocket cost.

With PACE, property owners overcome market barriers, such as limited payback periods and lack of access to capital that discourage investment in real property. PACE provides property owners with upfront financing for 100% of the cost of a qualified improvement, and allows property owners to amortize the debt over the useful life of the improvement.

If the property is sold before the full amount of the PACE loan is repaid, the remaining repayment obligation automatically transfers to the next owner because the lien securing the PACE assessment follows title to the property. Successive property owners assume the lien and continue to reap the utility savings enabled by the improvement.

PACE does not impose a burden on the local government’s general fund because property owners pay the cost of the program. The property, not the local government, bears the risk.

PACE in a Box

To expedite the establishment of local PACE programs and to facilitate a consistent, state-wide approach to PACE design and implementation, Keeping PACE in Texas (KPT), a non-profit non-partisan association, organized a broad-based coalition of more than 130 stakeholders to develop a free toolkit for local governments to use in creating and implementing their PACE programs.

The toolkit, known as “PACE in a Box,” contains the design elements, documents, and implementation steps necessary for a local government to establish an effective PACE program quickly and economically. PACE in a Box is the first and only PACE program designed by market stakeholders. The open-market model creates a uniform, user-friendly, sustainable and scalable PACE program for Texas. Find PACE in a Box at www.KeepingPACEinTexas.org

The Texas PACE Authority

The Texas PACE Authority (TPA), a 501(c)(3) administers PACE in a Box programs on behalf of local governments in the most low cost, efficient manner. TPA administers Texas’ first PACE program, established in Travis County in March 2015. To learn more, go to www.TexasPACEAuthority.org.