Creating New Economic Activity

With

Property Assessed Clean Energy (PACE)

Advancing Facility Improvements and Conservation Related Retrofits into Commercial and Industrial Properties

Quality of Life Committee, October 21, 2015
What is PACE?

- PACE is a financing program that enables owners of commercial and industrial properties to obtain low-cost, long-term loans for water conservation, energy-efficiency and renewable retrofits.

- The PACE statute, SB 385, authorizes municipalities in Texas to create districts where lenders and property owners can finance qualified improvements using contractual assessments voluntarily imposed on the property by the owner.
PACE is a Win-Win-Win-Win

- **Property Owners** – lower utility bills, energy independence, energy & water efficiency, property value increase
- **Contractors** – source of increase in business, more local hiring, best practices, keeping up with technology advancements
- **Lenders** – new loans, steady & stable process, fully collateralized, 1st lien position, improved asset value
- **Communities** – increased competitiveness, economic development and jobs, improved building infrastructure, more appealing building stock
- **State of Texas/City of Houston** – over the long term, reduced peak demand, improved grid loading, renewables as source, improved air quality, better water conservation
PACE Tearing Down Barriers

**Barriers**

- **Scarce** internal capital budget
- **No access to, aversion to** financing
  - No investment-grade credit rating
  - Lack of collateral assets that don’t fall under first mortgage
- **Uncertain** holding period
- **Owner / tenant** split incentives
- **Skepticism** savings/ROI will be realized

**PACE Solutions**

- **No down payment and costs spread over time w/ savings**
- Repayment security through senior lien position
  - Backed by property, not by owner or equipment collateral
- **PACE obligation transfers to the new owner upon sale**
- Qualifies as pass-thru cost
  - ESCO/contractor guarantees or third party insures performance
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