

# **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

- **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, 1<sup>st</sup> 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



# City of Houston Timeline

- September 30:**      **Quality of Life Committee  
Informational Hearing**
- October 1:**            **PACE Report and Documents  
posted for public review**
- October 14:**         **City Council APPROVED:  
Resolution of Intent**
- October 21:**         **Quality of Life Committee  
Hearing and Public Comment**
- November 4:**        **City Council Action: Resolution  
of Adoption**

