



Energy Efficiency Programs for Local Governments and their Constituents

May 10, 2023

AGENDA

Programs for Constituents



Programs for Local Governments





PROPERTY

ASSESSED

CLEAN

ENERGY

*Innovative financing for commercial
energy and water saving initiatives*

What is TX-PACE?

- Commercial, non-profit, industrial (manufacturing & agricultural), & multi-family (5+ units) properties – no greenfields

- 100% long-term, low-cost **private** financing unlocked by assessment lien imposed on property

- Energy efficiency, water conservation, distributed generation, and demand reduction



What is TX-PACE?

- Enacted in 2013 – Local Gov't Code Chapter 399

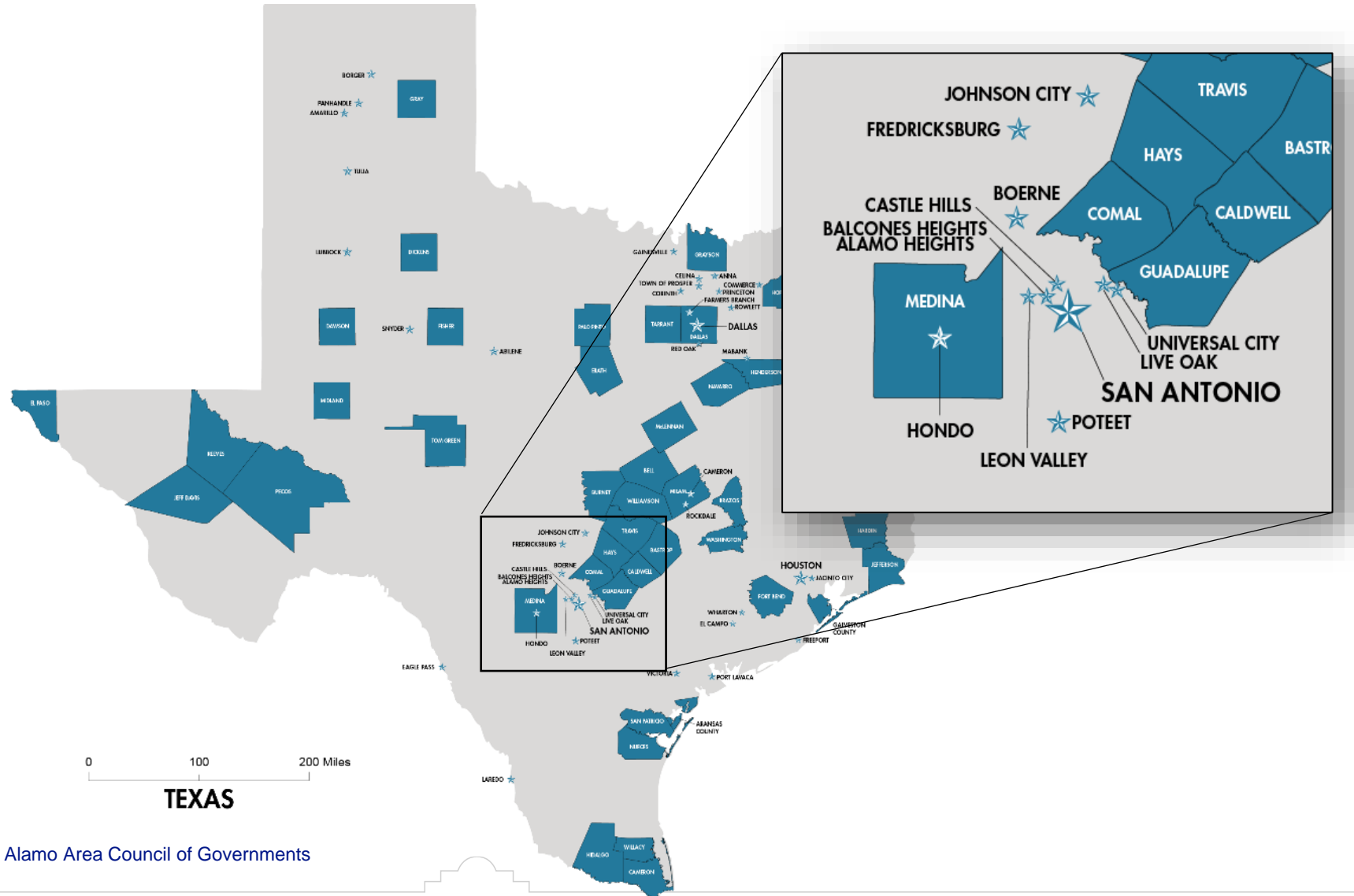
- Allowed cities and counties to create individual PACE programs within their jurisdictions

- Cities and counties must adopt PACE within their boundaries for property owners to take advantage of it

- Voluntary program requires no extra work with ILA



Where is TX-PACE?



In the AACOG Region:

- Alamo Heights
 - Balcones Heights
 - Boerne
 - Castle Hills
 - Fredericksburg
 - Hondo
 - Leon Valley
 - Live Oak
 - Poteet
 - San Antonio
 - Universal City
-
- Comal County
 - Guadalupe County
 - Medina County

Qualified Improvements

Chillers, Boilers, Furnaces	Toilets	Distributed Generation Systems
HVAC, BMS, EMS Controls	Faucets	Greywater Systems
Energy Management Systems	Pool Equipment	Elevator Modernization
Water Heating Systems	Cogeneration	Doors
Lighting	Water Management Systems	Insulation
Roofing	Rainwater Collection Systems	Solar Panels
Windows	Irrigation Equipment	Wind Turbines

Includes heavy duty industrial equipment permanently affixed to property





Why TX-PACE?

Local Governments

- Property owners/occupants substantially save in utility costs
- Reduce demand on electricity grid
- Mitigate greenhouse gas emissions
- Enhance value and efficiency of buildings
- Support municipal & regional resiliency plans and sustainability goals



Risk Avoidance

Local Governments

- Senior lien status
- Utilize existing debt servicing upon default
- No use of City funds or resources (ILA)
- Free market, hands-off approach
- Independent Third Party Review
- Streamlined applications and documents ensure success (PACE in a Box)

Steps to Adopt PACE

Meeting One

Publish Local PACE
Program Report with
Exhibits

Resolution of Intent to
Establish Local PACE
Program

Meeting Two

Hold a public hearing

Resolution to Establish Local
PACE Program (include
Report with Exhibits)

Approve ILA between Local
Government and AACOG to
administer program

A photograph showing construction-related items: a yellow hard hat, a rolled-up white blueprint, a black measuring tape, and a laptop keyboard, all resting on a surface with various documents and blueprints.

Contractual Documents

- Closing documents include:
 - Owner and Local Government Contract – agrees to the assessment lien imposed on the property
 - Capital Provider and Local Government Contract – assigns proceeds of assessment to capital provider
 - Notice of Assessment Lien – AACOG will record notice of PACE assessment lien with county clerk
 - Mortgagee Consent (if applicable)



PACE in a Box

*A toolkit of recommendations and templates
for counties and municipalities*

- Create uniform, user-friendly, scalable, and sustainable PACE programs

- Administered by a non-profit, in a transparent manner, focused on government tasks

- Free market with decision/power in the hands of property owner



Local Case Studies



Travis Building | San Antonio, TX

Building envelope • Roof • Lighting • Plumbing • HVAC

Assessment: \$5 million

Capital Provider: PACE Equity, LLC



Historic Post Office | Castroville, TX

Building envelope • LED Lighting • HVAC • Plumbing

Assessment: \$145,000

Capital Provider: Inland Green Capital

Local Case Studies



The Allen | San Antonio, TX
Envelope • LED Lighting • HVAC
Assessment: \$1,559,719
Capital Provider: PACE Equity, LLC



Intercontinental Hotel | San Antonio, TX
Envelope • Plumbing • LED Lighting •
Water Conservation • HVAC
Assessment: \$28 million
Capital Provider: Nuveen Green Capital

Local Case Studies



Elsass Hall | Castroville, TX

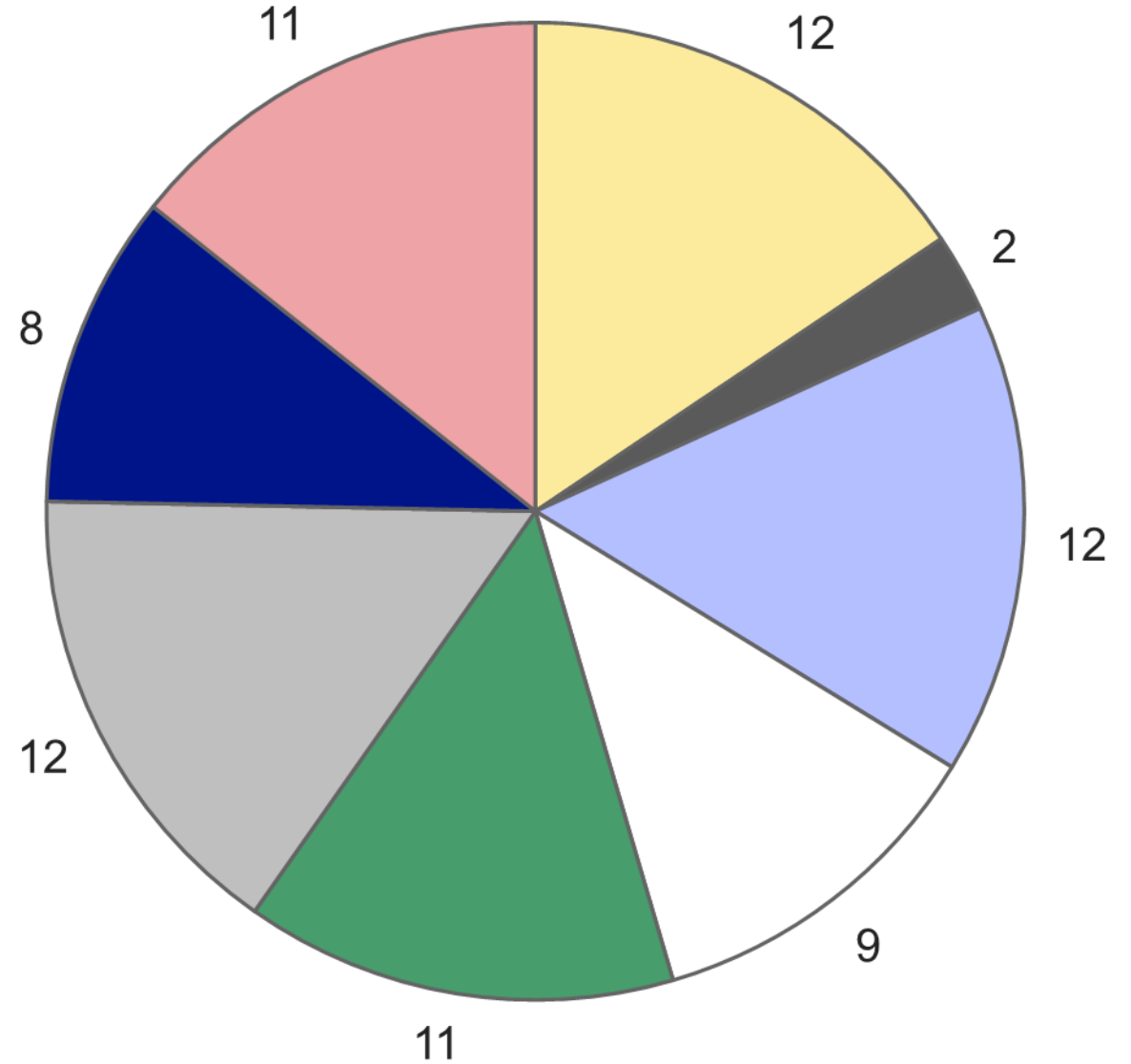
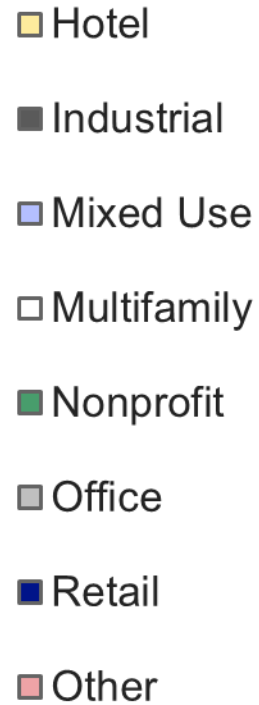
Envelope • LED Lighting • Plumbing •
Water Conservation • HVAC
Assessment: \$390,000



1303 Lorenzo | Castroville, TX

Envelope • LED Lighting •
Water Conservation • HVAC
Assessment: \$690,000

Completed PACE Projects in Texas



Financing Mechanism

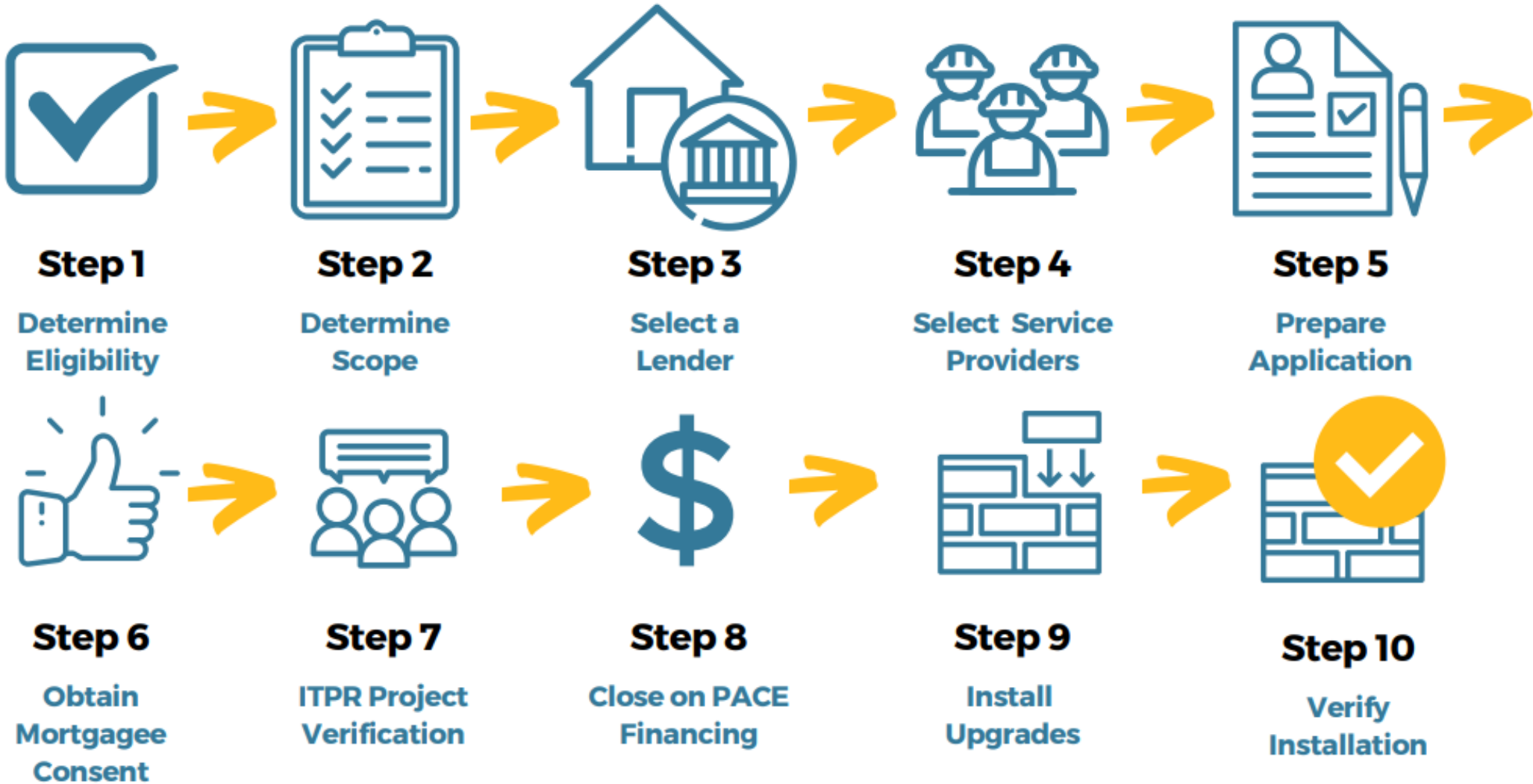
The process

- ✓ Government puts **first lien** on the property
 - Mortgage lender must **provide consent**
- ✓ Third-party engineer completes assessment to **validate savings**
- ✓ Loan payments **paid directly to capital provider**

The detail

- ✓ In case of default or bankruptcy:
 - **Only delinquent payments get priority** over the mortgage
 - Uses existing debt collection services
 - **PACE never accelerates**
- ✓ The loan **stays with the property** – transfers to new owner

How It Works



Residential Mixed Use Case Study



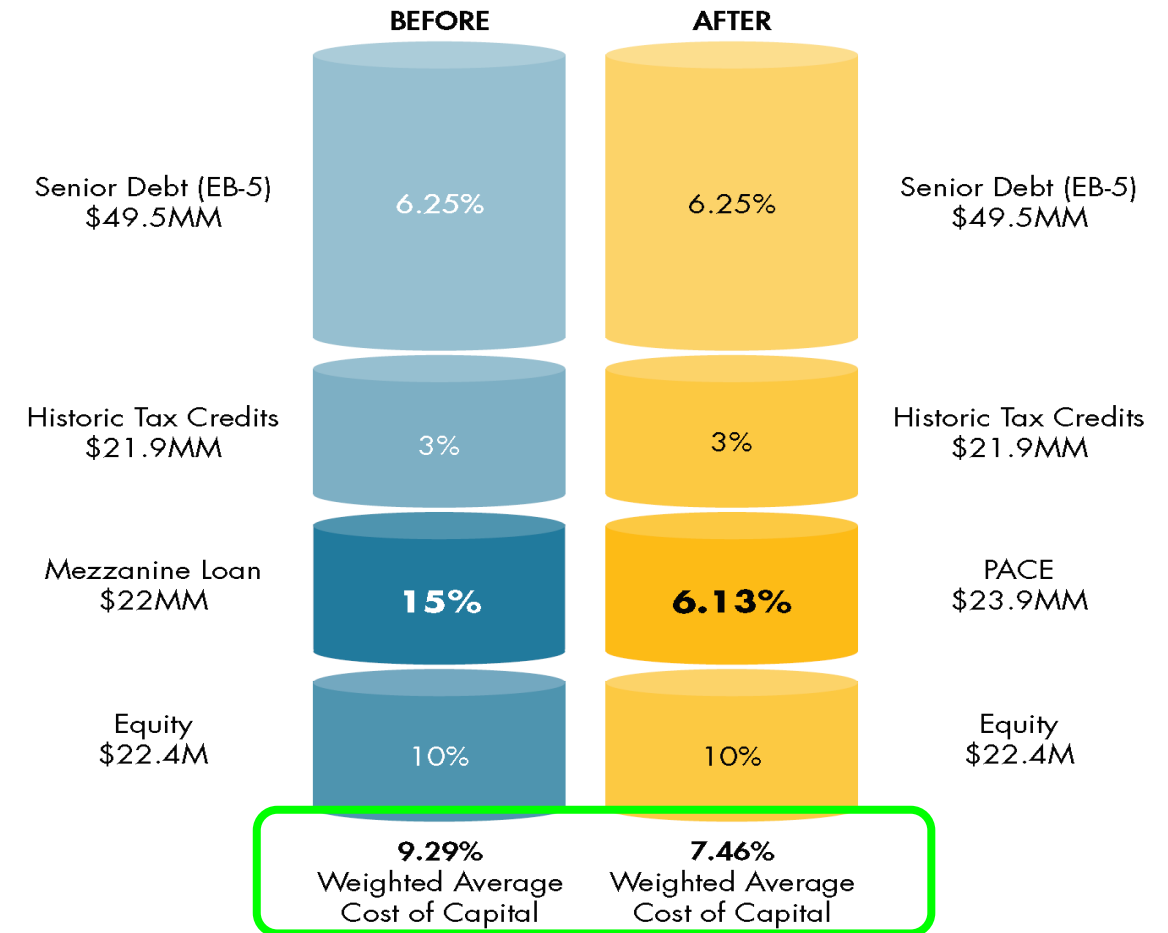
Butler Brothers Building | Dallas, TX

HVAC • Lighting • Insulation • Roofing • Glazing •
Plumbing • Irrigation • Building envelope

Assessment: \$24,000,000

Annual Energy Savings: 40%

Alamo Area Council of Governments



New Construction Case Study

Pearl Point Apartments Phase I Rockport, Aransas County



Measures installed:

Above Code: Lighting • Plumbing •
Building envelope

Assessment total:

\$2.75 million in 2020

\$1.25 million in 2021

Annual benefits:

Electric: 925,680 kWh

Water: 3.2 million gallons

Avoided CO₂: 482 tonnes

New Construction Case Study

Pearl Point Apartments Phase II Rockport, Aransas County



Measures installed:

Above Code: Lighting • Plumbing •
Building Envelope

Assessment total:

\$7.66 million

Annual benefits:

Electric: 1,140,121 kWh

Water: 4.02 million gallons

Avoided CO₂: 593 tonnes

Free Energy Assessments

Texas A&M University Programs

[Industrial Assessment Center](#) - free assessments for mid-sized industries to help them stay competitive through reduction of costs; assessment will focus on reducing utility costs, increasing energy efficiency, enhancing productivity, and minimizing waste

[Building Performance Assessment Center](#) – free assessments for small and medium commercial buildings less than 100,000 square feet; evaluates building energy, waste, and productivity opportunities – including monetary savings and implementation costs

Resources



- [Service Provider Directory](#)
- [Case Studies](#)
- [TX-PACE Program Guide](#)
- Application assistance/guidance
- Program outreach
- [Keeping PACE in Texas](#)



Thank You For Your Time!

Contact Me

Email: lhufstetler@aacog.com

Phone: 210-376-9901

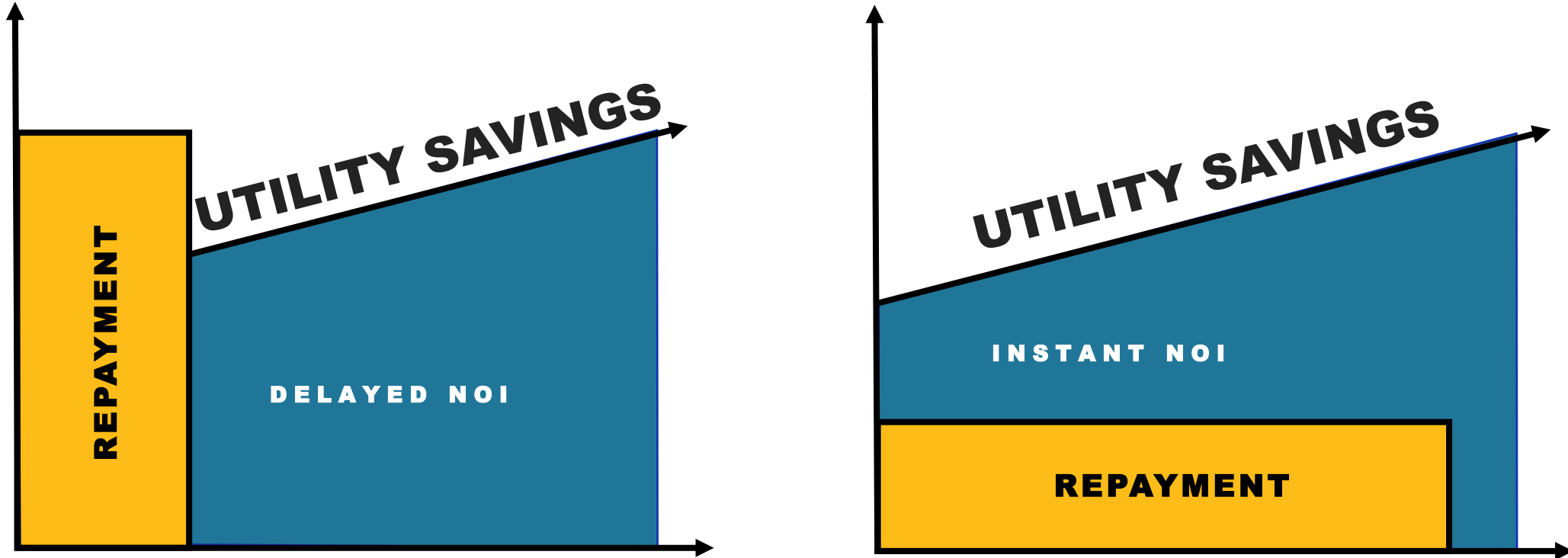
2700 NE Loop 410

Suite 101

San Antonio, Texas 78217



A Financing Alternative



Short financing term + Long ROI = Cash flow strain





Why TX-PACE?

Property Owners

- Long-term financing (up to 20+ years)
- Competitive interest rates
- Up to 100% of improvements financed (100% loan to value)
- Non-recourse (stays with the property)
- No financial covenants
- Does not tie up borrowing capacity

Hospitality Case Study



Plaza Hotel El Paso County

Measures installed:
HVAC • Elevator • Lighting •
Windows • Plumbing

Assessment total:
\$9.2 million

Annual benefits:
Electric: 1,488,687 kWh
Water: 770,100 gallons

Hospitality Case Study



State Historic Tax Credit:
\$9.05 million



Barfield Building Amarillo, TX

Measures installed:
LED Lighting • Building envelope •
Water efficiency • Water heating

Assessment total:
\$7.36 million

Annual savings:
Electric: 73%
Natural gas: 79%
Water: 40%



Why TX-PACE?

Capital Providers

- Lower risk
 - First lien
 - Not extinguished with bankruptcy
 - Guaranteed savings-to-investment ratio of ≥ 1
 - Increased asset value
- Faster/easier due diligence process
 - Third party assessment guarantees utility savings



Why TX-PACE?

Mortgage Holder

- Increased value of underlying asset
- Increases interest-coverage ratio
 - Since SIR must be ≥ 1
- NEVER accelerates
 - Only the current and past-due payments are senior to the mortgage

Not a Loan! Here's Why

- Provides 100% up-front funding of all hard and soft costs

- 20+ year repayment term = immediate income source

- Does not tie up borrowing capacity for company

- Requires utility savings to be validated by third party review

- Allows property owner to select lender, contractor, and project



Why TX-PACE?

- Energy savings benefits often realized over 10-20+ years, but financing terms rarely exceed 5 years and difficult to collateralize

- Cosmetic improvements that attract more attention get priority

- Building stock in need of upgrades puts strain on electrical grid

- Excess energy use contributes to regional poor air quality; adaptive reuse is more sustainable

