



KEEPING PACE IN TEXAS

Property Assessed Clean Energy (PACE) is innovative financing that enables 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. The assessment is owed to the local government, which forwards the payments to the private lender.

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.

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.

