



# Keeping PACE *In Texas*



[www.KeepingPACEinTexas.org](http://www.KeepingPACEinTexas.org)

[www.TexasPACEAuthority.org](http://www.TexasPACEAuthority.org)

# PACE in Texas

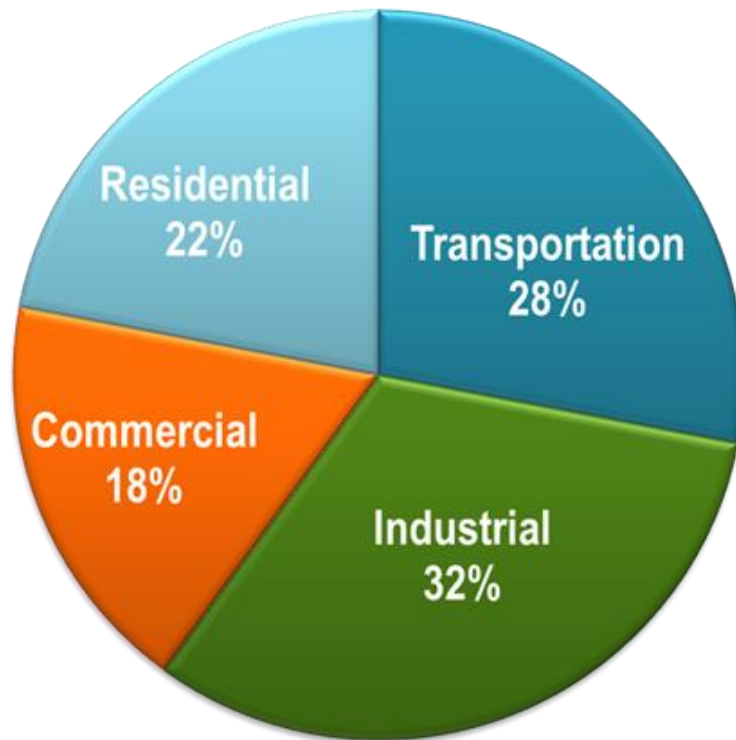
- **83<sup>rd</sup> Session: SB 385, Sen. John Carona and Rep. Jim Keffer**
- **The Coalition:**
  - County Judges and Commissioners Association of Texas
  - Independent Bankers Association of Texas
  - Texas Association of Business
  - Texas Association of Counties
  - Texas Bankers Association
  - Texas Building Owners and Managers Association
  - Texas Combined Heat and Power Initiative
  - Texas Conference of Urban Counties
  - Texas Real Estate Council
  - Texas Manufacturers Association
  - Texas Municipal League
  - Texas Renewable Energy Industry Association
  - US Green Building Council
  - Dozens of other organizations and companies



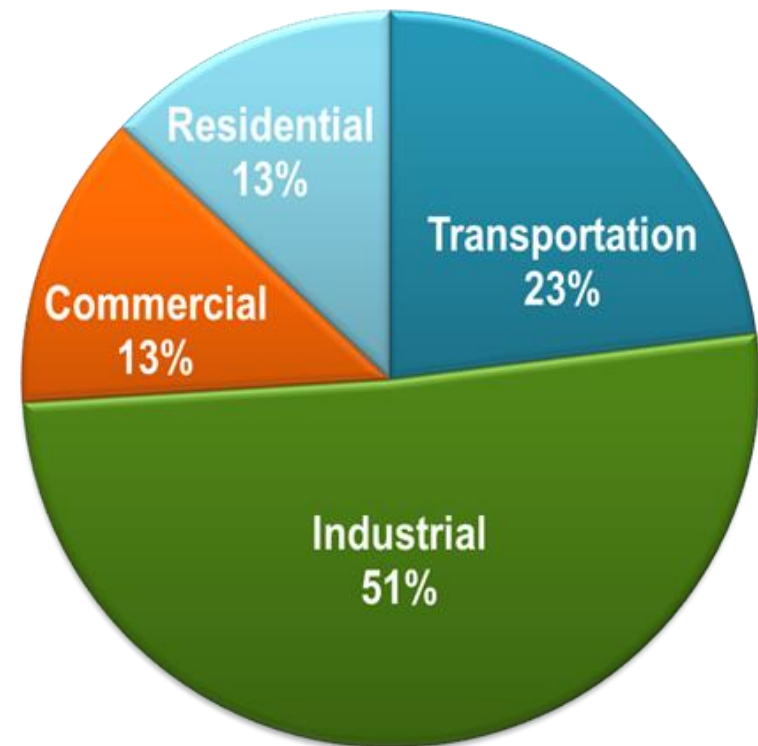
- Texas leads the nation in energy consumption, accounting for 12% of the nation's energy use and is the fifth largest energy consumer in the world
- Demand for electricity has increased 20% since 2000

# Energy Sector Consumption

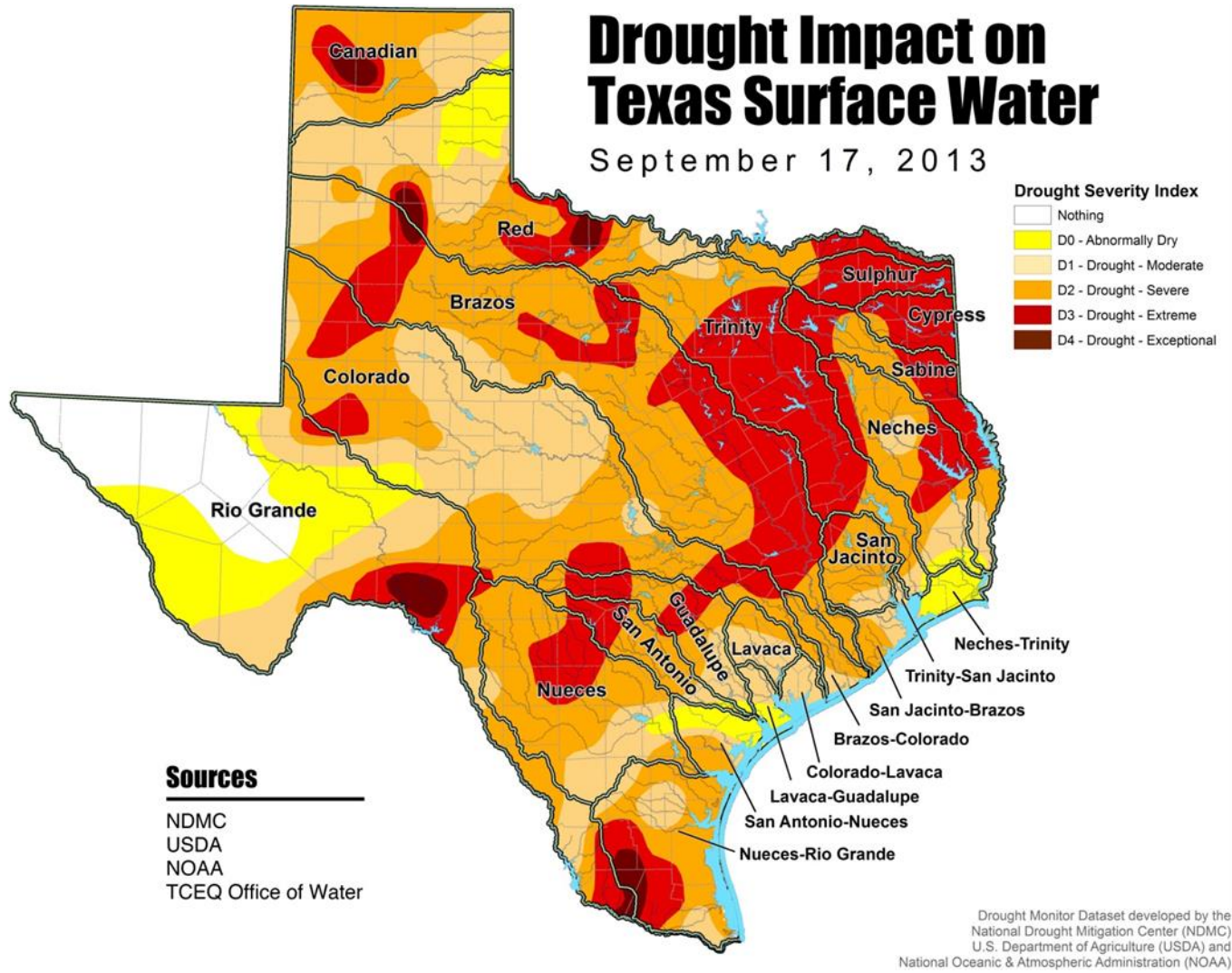
**U.S.**



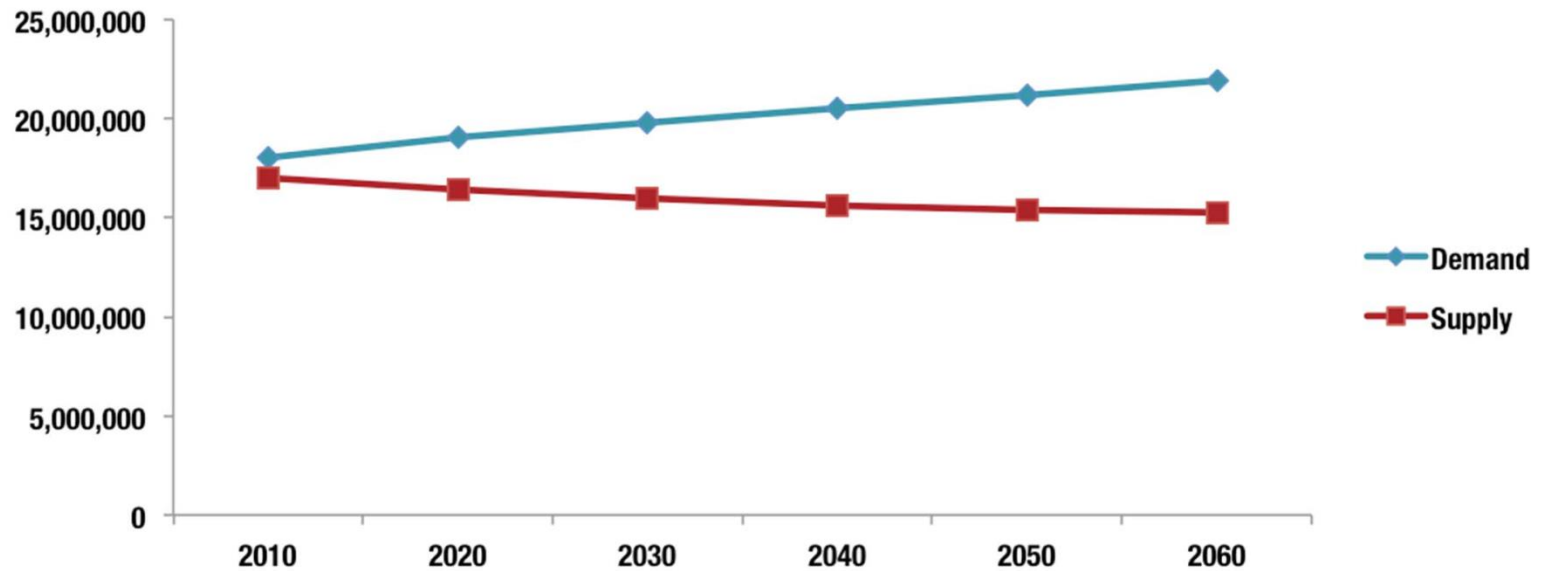
**Texas**



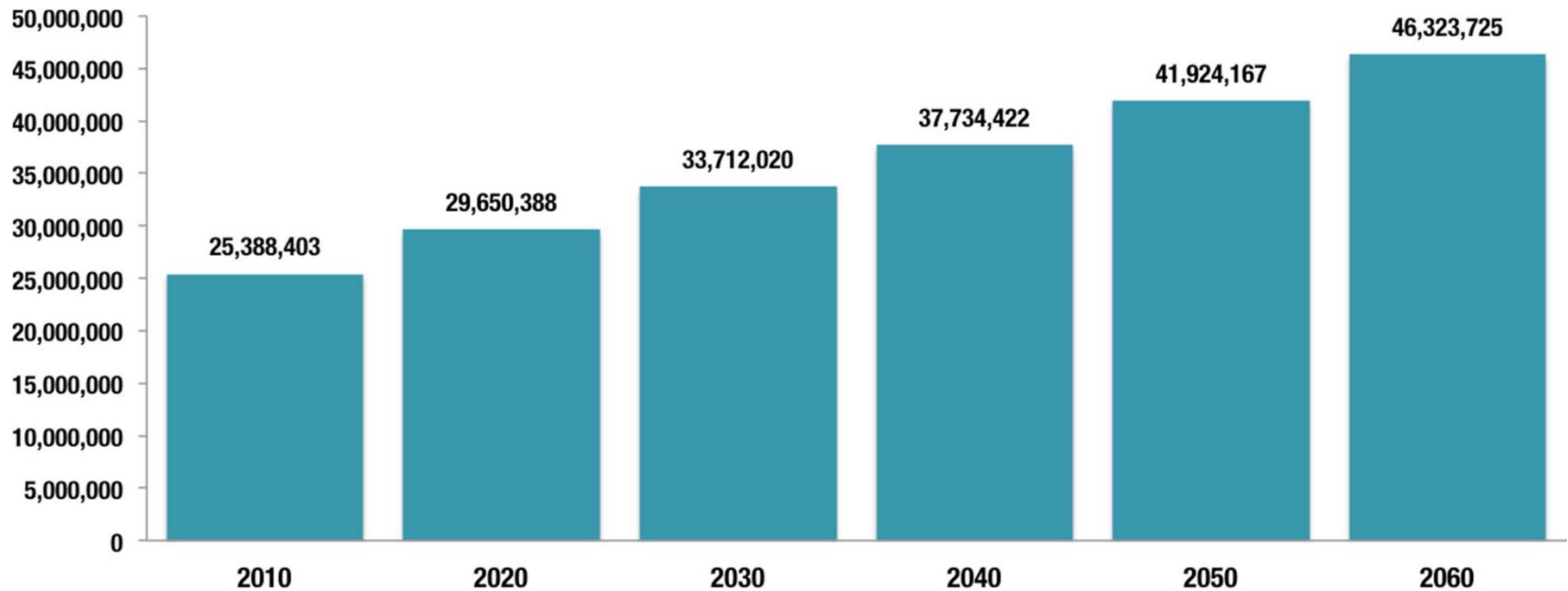
# Texas Drought Impact



# Texas' Projected Water Demands and Existing Supplies



# Projected Texas Population



“More than 1,000 people...move to Texas every day.”  
Gov. Rick Perry, 12/2012.

# PACE IN A BOX



“PACE in a Box” is a toolkit of recommendations and templates for counties and municipalities to:

- ▶ Create uniform, user friendly, scalable, and sustainable PACE programs
- ▶ Encourage and support local discussions about forming regional or multi-jurisdictional programs
- ▶ 84<sup>th</sup> Session: HB 3187, Chairman Keffer



# PACE in a BOX WORKING GROUPS

## Program Underwriting

- Building Owner Qualifications
- Building Qualifications
- Project Qualifications
- Savings to Investment Ratio

## Program Design

- Templates for Municipal Resolution
- Application Process
- Collection Process
- Overview / Flow Chart

## Technical Standards

- Energy Saving M&V
- Water Savings M&V
- Third Party Review
- M&V Resources



## Funding Platform

- Responsible Loan Making
- Attracting Capital
- Bonding

## Education and Training

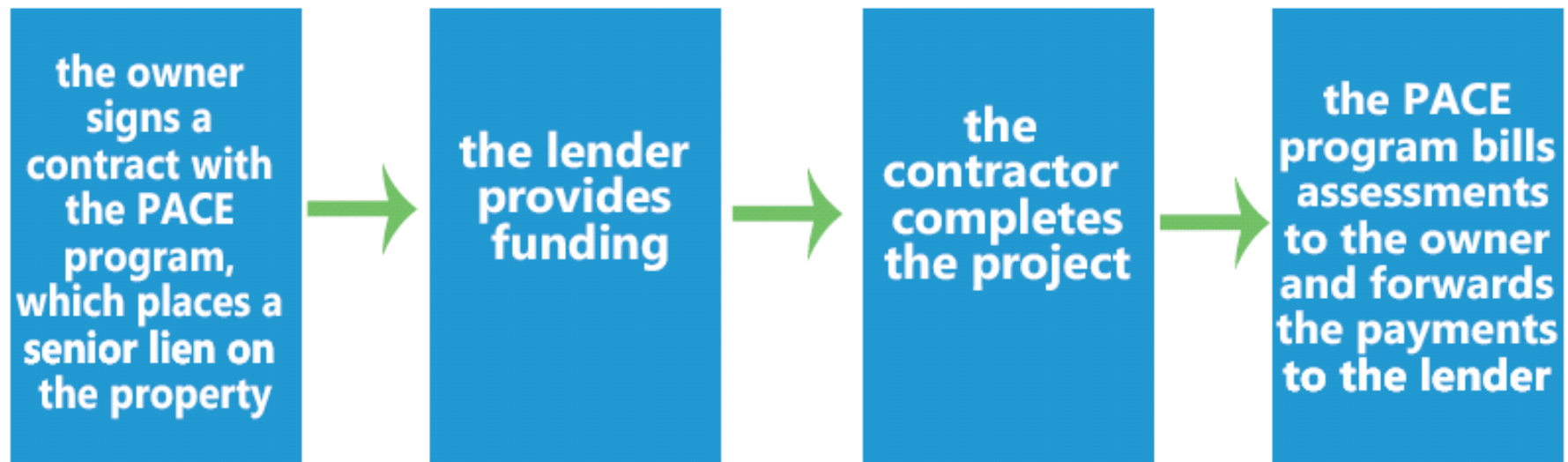
- Education to Municipalities
- Marketing Campaign to Building Owners, Lenders, and Contractors
- M&V training

# How it Works

## A Building Owner:



## If the owner, building and project all meet PACE requirements:

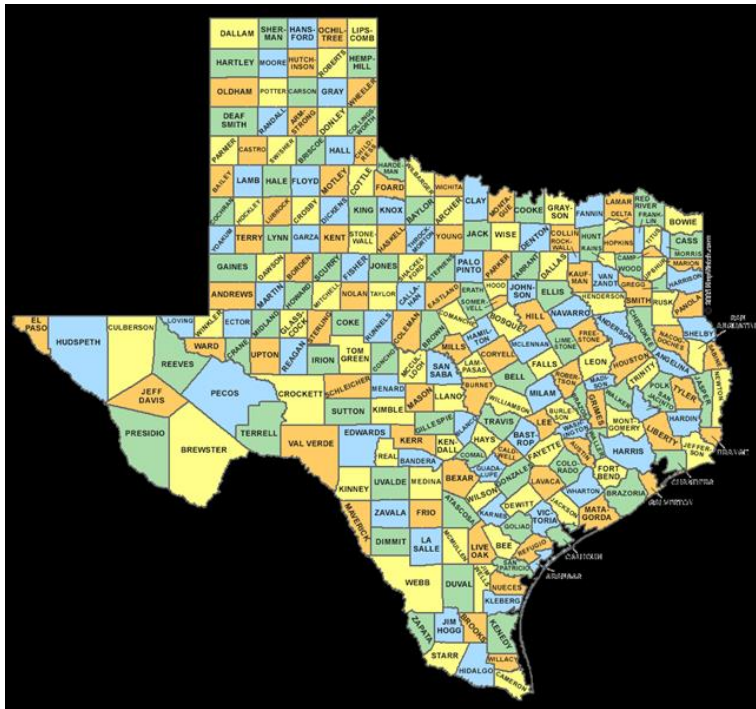


# COUNTY ACTION



- ✓ **Post Report on how the program will work**
- ✓ **Pass a Resolution of Intent**
- ✓ **Hold a Public Hearing**
- ✓ **Adopt a Resolution Establishing PACE Program**

# 1,200 Municipalities - 254 Counties - 1 State



# First PACE Project in Texas



## Congregation Beth Israel Austin, Texas

The synagogue had no option to replace failing equipment costing up to \$20K annually

PACE financing solved the problem with no out of pocket expenses

### **Project Financing:**

Total Assessment: \$452,105

Utility Provider Incentives: \$11,000

Term: 20 years

LENDER CONSENT GRANTED

### **Impact:**

Approx. 135,000 KWh savings annually

Energy use reduction: Approx. 20%

### **Building:**

126,000 square feet

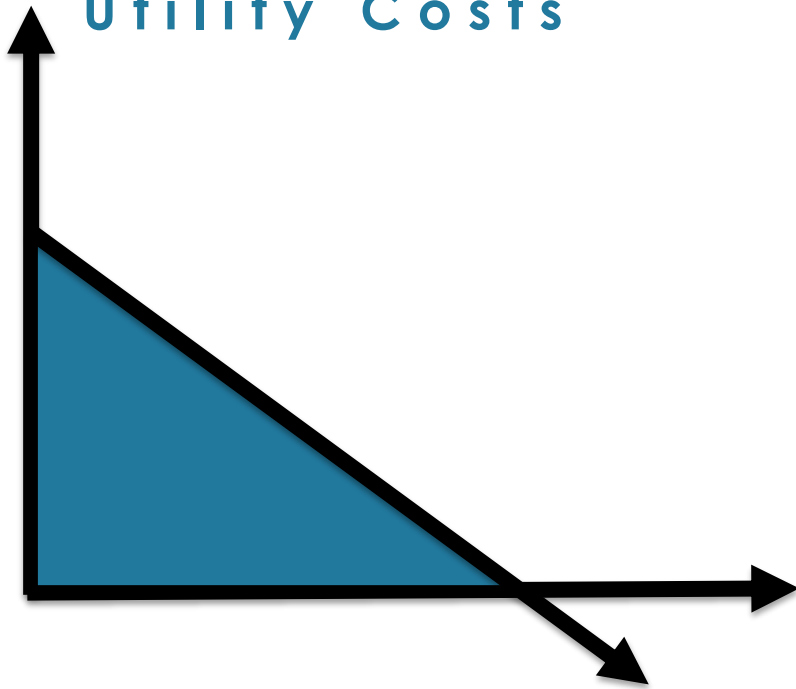
Built: 1950, 2001

### **Improvements:**

2 Chillers, 2 Boilers, Window Film, & BAS Controls

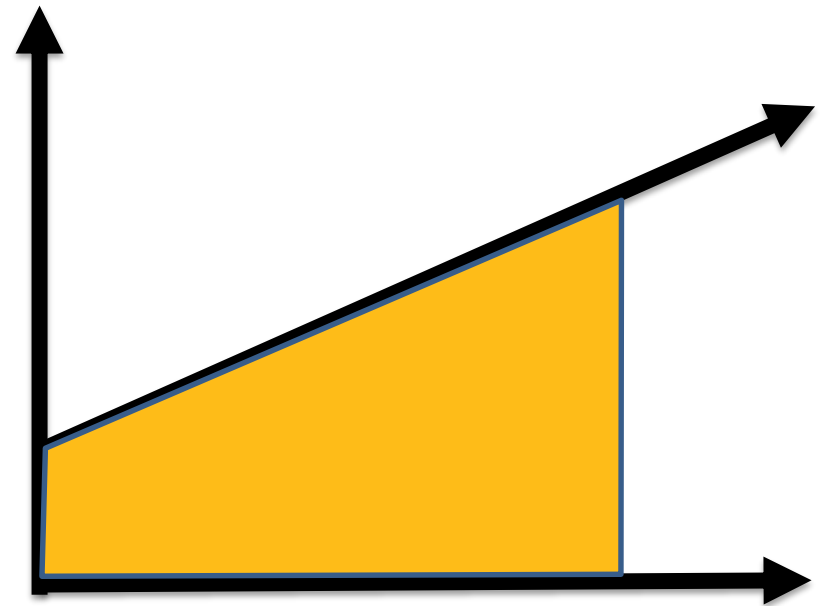
**Lower**

Utility Costs



**Increase**

Net Operating Income



**Bottom Line: Increased Building Value**

## 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 NNN pass-thru cost

ESCO/contractor guarantees or third party insures performance

# Financial Impact of PACE - An Example

- ✓ Commercial Office Building
- ✓ Project involves a \$1.1M energy efficiency retrofit
- ✓ Annual energy and maintenance savings of \$100,000 (11 years simple payback)
- ✓ The project does not pass the Landlord's hurdle rate for investment in energy efficiency
- ✓ PACE funding available for 25 years at 6.5%.
- ✓ Conventional Funding for 5 years at 4.5%.



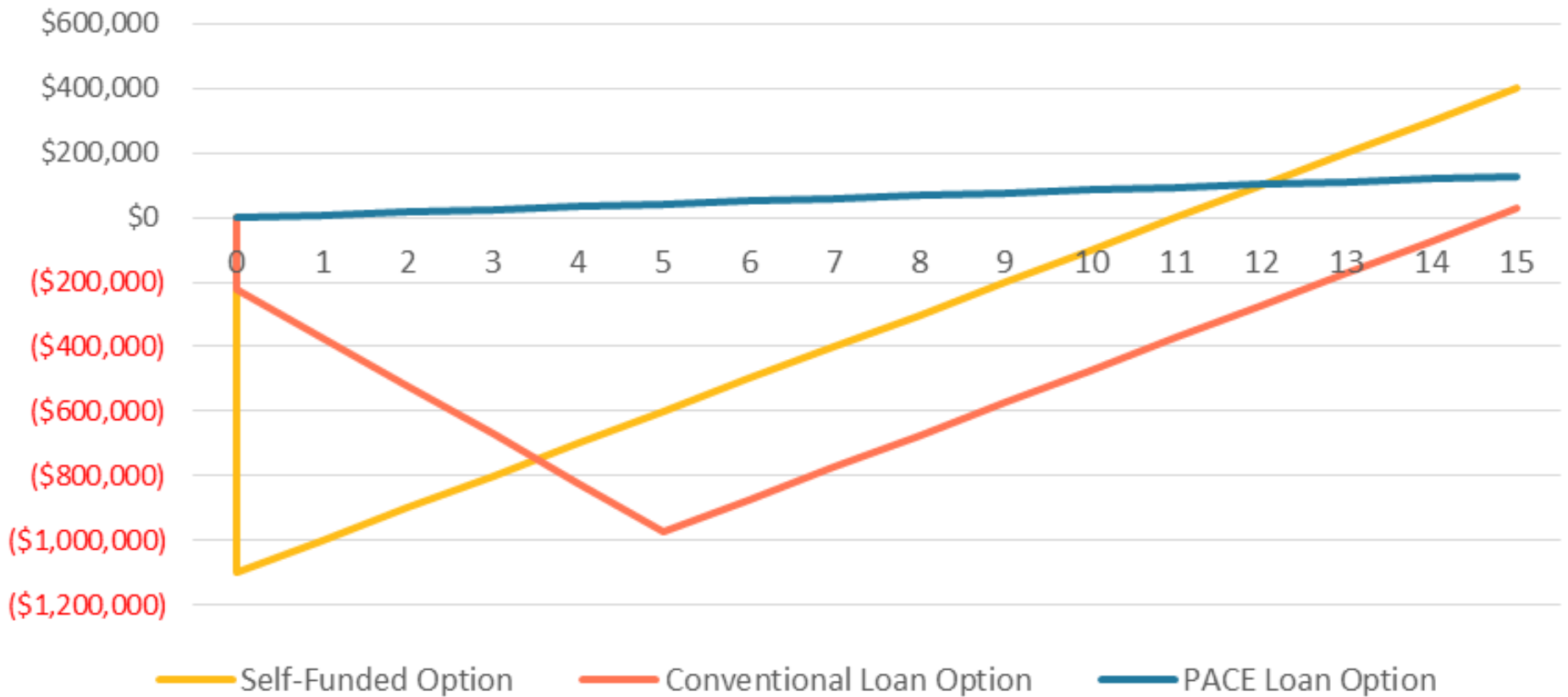
# Gross Lease Scenario

## Financing Scenario Comparison Summary

	Self-Funded	Conventional Loan	PACE
Out-of-Pocket Investment	(\$1,100,000)	(\$220,000)	\$0
Savings (First Year)	\$100,000	\$100,000	\$100,000
Annual Payment	\$0	(\$250,571)	(\$91,409)
Cash Flow Impact Year 1	(\$1,000,000)	(\$370,571)	\$8,591
Net Project Cash Flow Year 2	(\$900,000)	(\$521,142)	\$17,181
Years to Positive Project Cashflow	11.0	14.7	IMMEDIATE
Debt Service Over Finance Term	0	(1,252,854)	(2,285,234)
10-Year Project NPV	(\$428,992)	(\$549,448)	\$57,644
Property Value Increase (20-Year NPV)	(\$118,185)	(\$238,642)	\$84,344

# Cash Flows

## Cumulative Cash Flow



# PACE is a WIN-WIN-WIN

- **Property Owners** – lower utility bills, energy independence, energy efficiency, property value increase, public relations value
- **Contractors** – source of increased business, more local hiring, best practices, keeping up with technology advancements
- **Lenders** – new loans, steady & stable process, fully collateralized, tax assessment lien position, improved asset value
- **State of Texas** – reduced peak demand, improved grid loading, distributed generation as source, improved air quality, increased water conservation, economic development and jobs
- **Communities** – increased economic development and jobs, improved building infrastructure, more appealing building stock, improved air quality and water conservation

[www.KeepingPACEinTexas.org](http://www.KeepingPACEinTexas.org) – Home of PACE in a Box

[www.TexasPACEAuthority.org](http://www.TexasPACEAuthority.org) – home of project tools and resources

[www.PACENation.us](http://www.PACENation.us) – Home of National PACE (good lender consent info).

[Charlene.Heydinger@KeepPACE.org](mailto:Charlene.Heydinger@KeepPACE.org)

<https://www.youtube.com/watch?v=5gnN72buvw4&feature=youtu.be>

