

How-to Create a TX-PACE Region: A Guide for Local Government

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SUMMARY

Texas Property Assessed Clean Energy (TX-PACE) is an economic development tool that helps local governments create jobs, improve the environment, and save Texas' companies money on their utility bills. This voluntary program facilitates the use of private capital for energy efficiency, water conservation, and distributed generation (resiliency) projects by utilizing the local property assessment mechanism to provide security for repayment of the financing. Existing commercial (including healthcare, hospitality, nonprofit and retail); industrial (including agricultural and manufacturing); and multifamily (5+ unit) properties are eligible.

Currently available in more than 15 regions, covering more than 40% of the Texas population, TX-PACE programs have enabled over \$30 million of investment in local building stock in the past two years. A TX-PACE program may only operate in a region if the local government has adopted a resolution authorizing the creation of a program within the region. This document aims to help local governments overcome common barriers to adopting TX-PACE, and accelerate program implementation across Texas.

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1. TX-PACE PROGRAM

1.1 Overview

Across the State of Texas, local governments are establishing a voluntary program that helps create jobs, improve the environment, and save Texans money on their utility bills. In 2013, the Texas State Legislature created Chapter 399 of the Texas Local Government Code, enabling local governments to establish Texas Property Assessed Clean Energy (TX-PACE) districts via a local adoption model. The Texas “PACE in a Box” model was developed by over 130 stakeholders to assist with consistent design and implementation of TX-PACE programs and has been used across the state by every local government establishing a program.

TX-PACE, a bi-partisan initiative supported by the business and environmental communities and local government associations, helps private sector owners of existing commercial (including healthcare, hospitality, nonprofit and retail); industrial (including agricultural and manufacturing); and multi-family (5+ unit) properties access private financing to upgrade and modernize properties with energy efficiency, water conservation, and distributed generation (resilience) projects. ¹ The program is designed so that property owners have the opportunity to lower facility operating costs and pay for eligible improvements with the savings generated, taking advantage of affordable, long-term, private financing. TX-PACE enables property owners to overcome financial barriers that typically discourage investment to existing properties and see immediate savings on utility bills by investing in efficiency or generation upgrades that are cash-flow positive upon

ELIGIBLE PROPERTY TYPES AND IMPROVEMENTS

Eligible Property Types:

- Commercial (including healthcare, hospitality, nonprofit and retail)
- Industrial (including agricultural and manufacturing); and
- Multi-family (5+ unit)

Eligible Improvements:

HVAC systems and controls • lighting • water heating systems • roofing • windows • doors • insulation • elevator modernization • pool equipment • cogeneration or combined and power • heat recovery and steam traps • solar panels • wind turbines • water management systems and controls • irrigation equipment • rainwater collection systems • toilets • faucets • greywater systems • and more!

completion of the work.

When a local government determines “it is convenient and advantageous to establish” a TX-

¹ Distributed generation includes solar, wind, geothermal, combined heat and power (CHP), microgrids, and other technologies that create power onsite. This equipment can enable hospitals, factories, and hotels to maintain operations, support life-saving operations and pump flood water after a loss of power from the grid.

PACE region, it is because the program also supports long-term economic development by reducing energy and water use, growing and retaining jobs, improving property values, and reducing harmful pollution, all at no cost to the local government treasury.²

1.2 How TX-PACE Works

The TX-PACE program incentivizes the use of private capital to finance energy efficiency, water conservation, and distributed generation (resiliency) projects to commercial, industrial, agricultural, and multifamily properties³. The program can be used to pay for new heating and cooling systems, lighting improvements, solar panels, water pumps, insulation and more. TX-PACE accelerates facility investments in existing buildings, empowering owners to use their available capital on revenue-generating items including employees, technology, and products.

Through this free-market program, the owner of an eligible property engages a contractor and a private sector capital provider. The property owner works with the contractor and funder to develop a project. The property owner applies for TX-PACE financing through Texas PACE Authority, the local government third party, nonprofit program administrator for confirmation of eligibility. If the project meets all statutory and program best practices, it qualifies as a TX-PACE project. The property owner works with the capital provider to provide up to 100 percent financing with repayment terms that are competitive with the useful life of the improvements (up to 20 years or more). The energy and/or water savings are structured to exceed the annual assessment payment, resulting in projects that are cash flow positive. Simultaneously, the property owner requests a voluntary property assessment (similar to a sidewalk or sewer assessment) for the total cost of the project be imposed by the county or municipality as the vehicle for the repayment and securitization of the TX-PACE financing. The property owner agrees to pay the assessments until the total TX-PACE assessment has been paid. The contractor installs the upgrades and a project review is conducted by a TX-PACE independent third party. Owners repay the cost of the improvements over a period of up to 20 years or more. The repayment is facilitated through the local government property tax assessment process with the TX-PACE program billing assessments to the owner and forwarding payments to the capital provider (see Figure 1).

² <http://www.statutes.legis.state.tx.us/Docs/LG/htm/LG.399.htm>

³ Ineligible properties include: residential under 5 units, government-owned real property, and undeveloped lots or lots undergoing development at the time of assessment. Qualified improvements must: be permanently affixed to the real property, demonstrate capacity to decrease energy and/or water consumption or demand, and have a useful life that exceeds the term of the TX-PACE financing agreement. [The PACE Act, SB 385](#)

How It Works

A Building Owner:



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

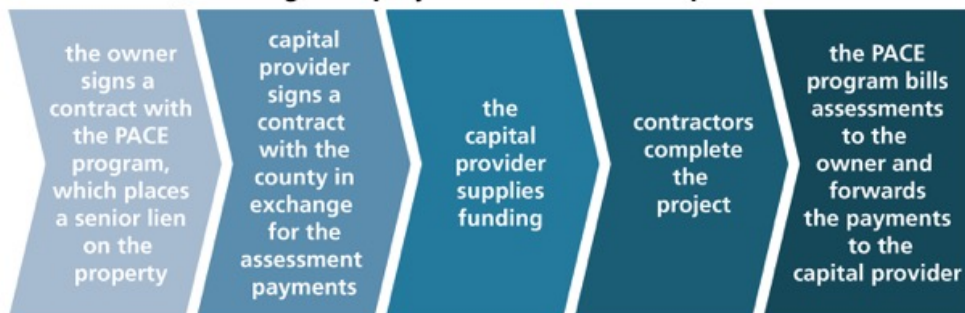


Figure 1. How TX-PACE Works. Image credit: Keeping PACE in Texas

1.3 A TX-PACE Assessment

TX-PACE is designed to utilize a common government mechanism, land-secured financing districts, for a new purpose - property level assessment districts. This specialized form of financing allows private property owners to choose to have the project repaid through and secured by a voluntary property assessment imposed by a county or municipality with a TX-PACE program. The TX-PACE assessment placed on a property is a first and prior lien against the property itself. The lien does not take effect until recorded in the property records and runs until the assessment, interest, and any penalty are paid in full. The TX-PACE lien has the same priority status as a lien for any other ad-valorem tax, runs with the land, is non-accelerating, and is not eliminated by foreclosure on the property.

Because the assessment is tied to the property; the repayment obligation transfers to the next owner if the property is sold. This attribute can be a great motivator for building owners who are looking to invest in facility upgrades but are uncertain as to how long they will own the property.

The length of a TX-PACE assessment can be stretched over any number of years not to exceed the projected useful life of the improvements, provided the projected savings exceed the cost of the repayment. Projected savings are calculated using a rigorous [Technical Standards Manual](#) and two statutorily required reviews by an independent third-party engineer.

1.4 Where TX-PACE is Available

At the time of publication, TX-PACE had been adopted by more than 15 regions across Texas, serving over 40% of the state population. In the last two years, local TX-PACE programs have enabled over \$30 million of investment in local building stock, creating over 255 jobs across the state.

City of Amarillo

Brazos County

Cameron County

City of Dallas

El Paso County

City of Farmers Branch

Fort Bend County

Hays County

Hidalgo County

City of Houston

Jefferson County

Navarro County

Nueces County

Tarrant County

Travis County

Willacy County

Williamson County



Figure 2. TX-PACE Regions Image credit: Texas PACE Authority

1.5 Barriers to TX-PACE

A survey conducted by Texas PACE Authority, the nonprofit organization that administers the TX-PACE program on behalf of local governments, indicated that local governments viewed conservation of energy and water in the built environment, particularly in the private sector, as important but not a top priority. Many local government officials and staff are not aware of financing mechanisms, such as TX-PACE, that can advance a variety of public policy goals through improved building infrastructure. As the program is still new to the Texas market, there is a need to educate government leaders and staff about the program, how it works, and community benefits. Below are the most common myths that we found are barriers to local governments adopting a TX-PACE program.

Myth #1: Adoption of TX-PACE is an arduous legislative process

Texas lawmakers created a decentralized, local adoption approach to Commercial and Industrial PACE, and many local governments do not feel as though they have the time or resources to dedicate to developing a TX-PACE program, or may not see a need to make the program a priority. The “PACE-in-a-Box” set of guidelines were developed to enable local governments and their communities to provide a consistent PACE program structure across the state. These guidelines were vetted among hundreds of interested parties, and are being used exclusively in every local PACE program in Texas to date. Leveraging the “PACE in a Box” plug and play model, local governments are able to implement the program in a turnkey manner with relative ease, using uniform model documents and best practices that align with the other programs across the state. Furthermore, private-sector stakeholders can assist in supporting the legislation, public officials in regions that have previously adopted the program are willing to share best practices, and additional tools and resources are available through nonprofit leaders such as Keeping PACE in Texas and Texas PACE Authority.

The Texas PACE Act, [Chapter 399 of the Local Government Code](#), sets the eligibility requirements for local governments (counties and municipalities) to participate in the TX-PACE program. A local government must follow these five steps to establish a TX-PACE program:

- Preliminary program development including: identifying key local officials and staff, designating the geographic scope of the TX-PACE region, determine administrative roles and responsibilities, establish costs and fees, etc.;
- Prepare a public report that outlines the extensive process and program decisions made by the local government;
- Adopt a resolution of intent to create a local program that accompanies the report;
- Hold a public hearing; and
- Adopt a resolution to establish a local TX-PACE program.

A roadmap for these steps is on page 18 of this document and an implementation checklist with a timeline can be found on page 32. Additionally, the [“PACE in a Box” toolkit](#) contains all of the design elements, documents, and implementation steps in a user-friendly, detailed format for local government implementation. The toolkit’s model documents are used across the state to assist with program uniformity as well as to ease the program adoption process.

“‘PACE in a Box’ offers a one-stop shop for local governments to learn about the TX-PACE program and its many benefits,” notes El Paso County Judge Veronica Escobar. “Rapid growth of our communities comes with increased demands on energy and precious resources like water. TX-PACE offers our business community a way to fund upgrades that make them more energy and resource efficient. This not only helps their bottom line but helps build a more sustainable tomorrow for us all. All of this through an easy to set up program that requires little to no staff time or government funding.”

A typical implementation timeline is 16 weeks, from start to finish, but some of the steps can occur simultaneously and the program has been adopted in much shorter timeframes in several regions across the state. A volunteer stakeholder committee can assist with a number of the tasks including drafting a model report and building a community of stakeholder support.

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- El Paso County Judge Veronica Escobar

Myth #2: TX-PACE administration will require a lot of staff time and funding

The local government is responsible for adopting the TX-PACE program and selecting a program administrator (please see Figure 6 for program administration model options). The “PACE in a Box” model provides for a flexible, market-based format providing low administrative costs and high levels of consumer protection. There is no cost for the local government to adopt the program and no additional cost to the taxpayer or burden to the treasury. TX-PACE is a “governmental function” and enjoys the accompanying governmental immunity.⁴ All “PACE in a Box” model contracts acknowledge there is no recourse to the local government. Immunity for local government and officials is built into the PACE Act and [HB 2654](#) clarifies the intent of the underlying statute and states unequivocally that tax assessor/collectors and elected officials across Texas have personal immunity for their work on TX-PACE programs in Texas as all other Texas local government public servants.

Once TX-PACE is approved by the local government, the program is designed to have minimal impact on government staff. Government monies are not used for project funding as TX-PACE uses private capital providers. In Texas, the local government regions to-date delegate the servicing of the TX-PACE assessment installments to the capital provider.

Upon the closing of a TX-PACE project, the program administrator records a notice of assessment lien with the county clerk for the participating property record. The program administrator provides reports to the participating local government and, in advance of the normal property tax billing cycle, a notice to property owners regarding upcoming assessments due under the local TX-PACE program. The tax office places the notice in the same envelope with the outgoing tax bill. The TX-PACE assessment is collected by the capital provider that financed the project, not the local government. “The “PACE in a Box” model program is an innovative private sector solution that does not require government

⁴ Local Government Code Sec. 399.003(b)

funding, which will greatly benefit our community,” states Bruce Elfant, Travis County Tax Collector.

“The “PACE in a Box” model program is an innovative private sector solution that does not require government funding, which will greatly benefit our community.”
- Bruce Elfant, Travis County Tax Collector.

To date, all regions have used the PACE in a Box model and have partnered with a nonprofit program administrator, Texas PACE Authority, to run the program. By taking this route, local government responsibilities, outside of adopting the program, are minimal. The program administrator oversees program applications, all contracts and filings, and assessment payments and is compensated by a user fee (administrative fee) paid by the property owner. The current administrative fee in Texas is among the lowest in the nation.

TX-PACE Local Government Benefits:

- *Tax dollars are not needed and the TX-PACE Program poses no risk to a local treasury.*
- *As a TX-PACE program is a function of the local government, the local government has immunity.*
- *The local government is protected from individual lawsuits related to the program.*
- *All PACE contracts acknowledge there is no recourse to the local*

The administrator will work within the local tax assessor’s current processes to set the lien and notify building owners of assessment.

Myth #3: TX-PACE lacks strong protection standards

The Texas PACE Act has embedded consumer protection to help projects deliver the anticipated savings. This includes the following requirements:

- Written consent from the mortgagee is a prerequisite to TX-PACE funding;⁵

⁵ More than 200 mortgage holders granted consent for commercial PACE projects in the US. For a list of consenting lenders in the US, see: [http://pacenation.us/wp-content/uploads/2017/10/List-of-](http://pacenation.us/wp-content/uploads/2017/10/List-of-Consenting-Lenders-07.2017.pdf)

[Consenting-Lenders- 07.2017.pdf](http://pacenation.us/wp-content/uploads/2017/10/List-of-Consenting-Lenders-07.2017.pdf)

- The project must show break-even cash flow relative to the cash flow as the savings have to exceed the cost of the project over the life of the assessment for it to qualify;
- A licensed and certified third-party engineer must first review and substantiate the proposed project and projected savings and later validate that the project was properly installed and operating as intended;
- The note is secured with a special property assessment that is a legal obligation of the property owner, remains with the property and transfers upon sale of the property; and
- The project must adhere to uniform technical standards of developing, measuring and verifying projected savings.

“The value of consistent technical standards is illustrated by the Comptroller’s Texas LoanSTAR Program which we operate – having originated almost half a billion dollars in public sector energy and water savings projects with no defaults,” notes Dub Taylor, Director, State Energy Conservation Office. “Loans are premised on savings potential, and the means of calculating baseline and improved conditions are governed by one set of guidelines familiar to owners, contractors and design and engineering professionals.” Further, the model “PACE in a Box” program contains consumer protection underwriting and technical best practices and model documents that have been uniformly adopted by all existing TX-PACE regions. These standards continue to be refined as the program matures. Combined, these measures ensure that the TX-PACE program has the highest levels of consumer protection available in any program across the nation.

“The PACE in a Box uniform underwriting and technical standards protect local governments and our constituents”, states Gerald Daugherty, Travis County Commissioner. “Uniformity makes the program user-friendly for developers and other stakeholders, too. As long as local governments continue to adopt the “PACE in a Box” model, companies with properties located throughout Texas will only need to learn about the program once.”

Finally, if the building owner is delinquent on its TX-PACE assessment, the local government is not responsible to cover the shortfall. The TX-PACE assessment has a first and prior lien against the real property on which the assessment is imposed only for the past-due assessment installments. In the case of delinquencies, the TX-PACE assessment is subject to the same penalties and the same procedures as is provided for delinquent

“The PACE in a Box uniform underwriting and technical standards protect local governments and our constituents. Uniformity makes the program user-friendly for developers and other stakeholders, too. As long as local governments continue to adopt the “PACE in a Box” model, companies with properties located throughout Texas will only need to learn about the program once.”
- Gerald Daugherty, Travis County Commissioner.

property taxes. However, only the delinquent and owed assessments may be collected in this manner because assessments stay with the property and do not accelerate. In the case of a delinquency, the program administrator is responsible for coordinating repayment efforts with the private lender and local government.

1.6 Benefits to TX-PACE

Creating new investment opportunities with a TX-PACE program stimulates economic development throughout Texas and helps local communities achieve critical energy efficiency, water conservation, sustainability, and resiliency goals. Counties and municipalities that adopt a TX-PACE program may also enjoy a competitive economic development advantage over those jurisdictions that do not. These advantages include:

- Increased local employment opportunities
- Additional business retention and expansion benefits
- Improved quality, efficiency, resiliency, desirability, and possibly aesthetics within local building stock
- Cost-free incentive that complements historic grants, economic development incentives, rebates, tax incentives, disaster recovery investment, etc.
- Demand reduction means less strain on energy water systems and the ability to postpone the purchase of additional resources to accommodate population growth
- Decreases in greenhouse gas emissions
- Improved air quality
- More resilient building stock

TX-PACE serves urban and rural Texas communities with projects of all sizes and enables property owners to overcome traditional upfront cost barriers for capital improvements with lengthy returns on investment. Without this tool, property owners delay maintenance resulting in buildings that are less efficient and less valuable. The program has been an invaluable tool for the City of Dallas to facilitate the adaptive re-use of obsolete downtown buildings. “The typical real estate capital stack falls short of funds to cover additional upfront costs related to more expensive energy and water saving equipment that lowers project operating costs,” states Karl Zavitkovsky, former City of Dallas Director, Office of Economic Development. TX-PACE replaces more expensive partner equity or mezzanine debt with lower cost financing. A recent example of this is the \$24 Million TX-PACE funding obtained by Alterra International to help convert the historic Butler Brothers building, a large 100-year-old former mercantile warehouse across from City Hall, to luxury apartments and a dual-branded Marriott hotel. This not only removed an eyesore, but also increased the City's tax base considerably.”

The ability of a local government to offer new and prospective businesses an economic development tool and incentive such as TX-PACE is beneficial. “Navarro County’s effort to establish a TX-PACE program has already attracted an out-of-state manufacturer who used TX-PACE to update an empty manufacturing plant and create new local manufacturing

“Navarro County’s effort to establish a TX-PACE program has already attracted an out-of-state manufacturer who used TX-PACE to update an empty manufacturing plant and create new local manufacturing jobs.”

- Scott Jones, director of economic development for Corsicana and Navarro County, Texas.

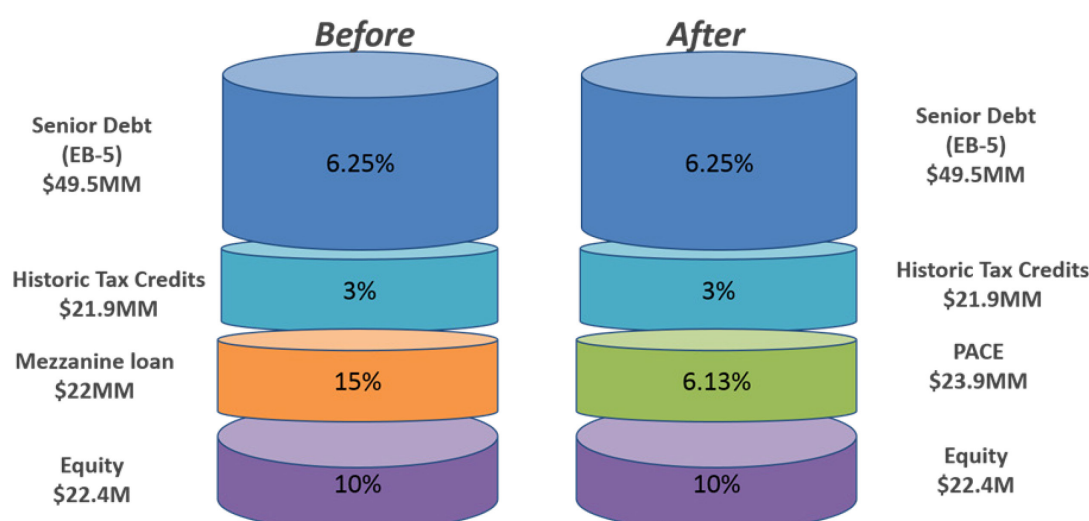


Figure 3. Butler Project Capital Stack.

jobs,” states Scott Jones, director of economic development for Corsicana and Navarro County, Texas. The RJ Liebe Lettering Company was looking to relocate its manufacturing operations to a Texas site from Missouri. The company found a 36,000 SF plant in Coriscana, Texas that was built in 1979 and was a perfect fit for size and location, but needed quite a bit of work to meet the operational, sustainability and efficiency requirements of the company. Without the long-term flexibility that TX-PACE provided to cover the full cost of the project, the capital investment that was needed to upgrade the facility would not have been financially feasible. Installation of high-efficiency HVAC and LED lighting is getting this facility up and running and contributing over 60 new manufacturing jobs to the local economy.

Another increasingly important advantage is that property owners can make improvements to increase resiliency. Following Hurricane Harvey, local governments across the Texas Gulf coast were looking for additional mechanisms to help property owners. The ability to leverage TX-PACE for projects that create power onsite such as solar, wind, and combined heat and power (CHP) can ensure the power does not go out. TX-PACE financing can also

be used to replace equipment, tighten a building envelope, and save on utilities.

The flexible uniform standards in all of the TX-PACE regions to date have created a user-friendly program that allows property owners to close multiple projects in multiple regions on the same day. In 2016, Simon Property Group closed three TX-PACE projects totaling over \$3 million in two counties with one lender on the same day. This scalable model is self-sustaining and will create economies of scale that will not only minimize transaction and overhead costs but allow for the creation of a secondary market for TX-PACE assessments, making it easier for local lenders to offer PACE financing to businesses in their communities.

To track TX-PACE regional efforts and the benefits they are realizing, the Houston Advanced Research Center, has developed the TX-PACE Energy and Emissions Tracker. ⁶ The tracker aggregates PACE project energy, water and investment performance at the regional and state level. This tool will help local governments evaluate local program outcomes, compare with other programs and identify opportunities for on-going improvement. It is essential that data be reported by all regions in a meaningful, uniform manner to produce a useful global dataset of information that can be disseminated to local, state and federal governments. The adoption of uniform programs enables local

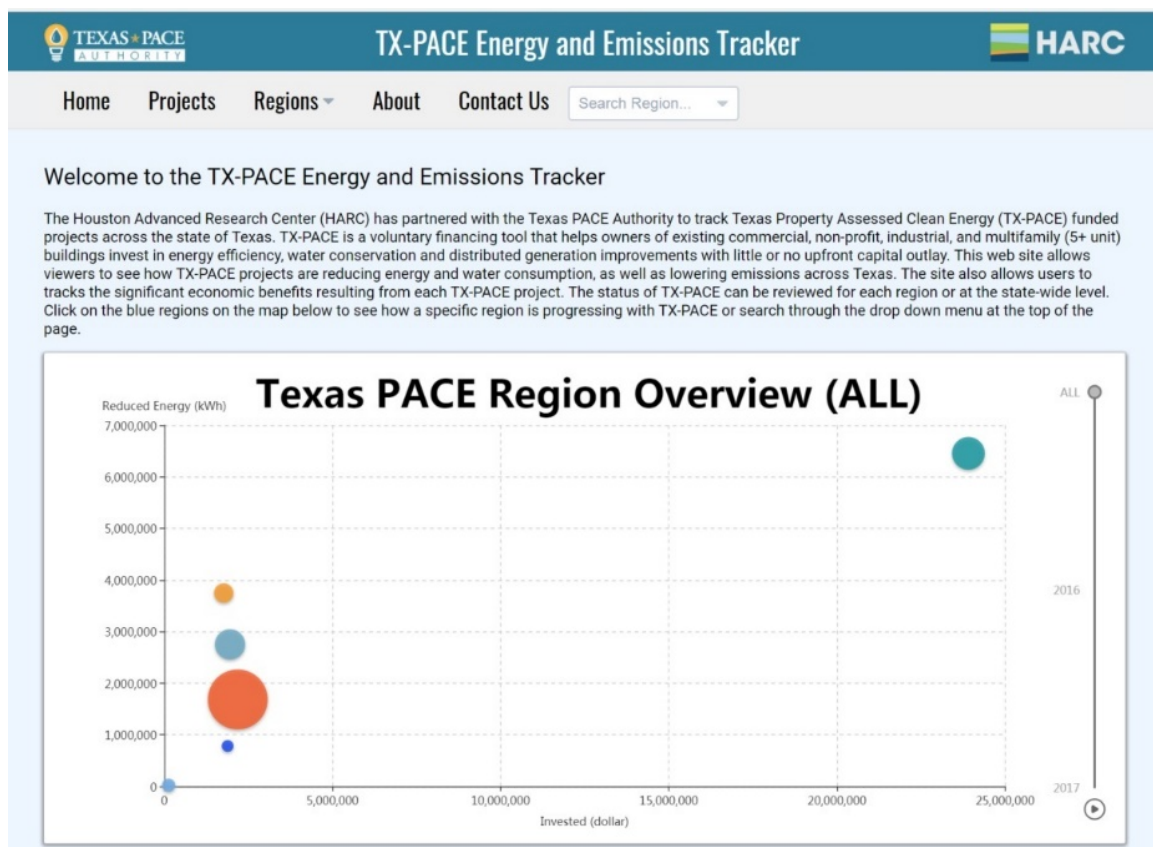


Figure 4 TX-PACE Energy and Emissions Tracker

governments, their

⁶ <http://pace.harcresearch.org/>

regions and the state to use and benefit from reliable data.

2. LOCAL GOVERNMENT TX-PACE FRAMEWORK

2.1 Steps to launch a TX-PACE program

There are three steps a local government must take to implement a TX-PACE program:

- A. Initiation – Concept socialization and recruitment of key program participants
- B. Adoption – Local government’s formal adoption of the program
- C. Implementation – Program administration

Within those three steps, referenced in Figure 5, there are four items in the Adoption step that the PACE Act requires a local government to complete in prescribed order to establish a PACE program:

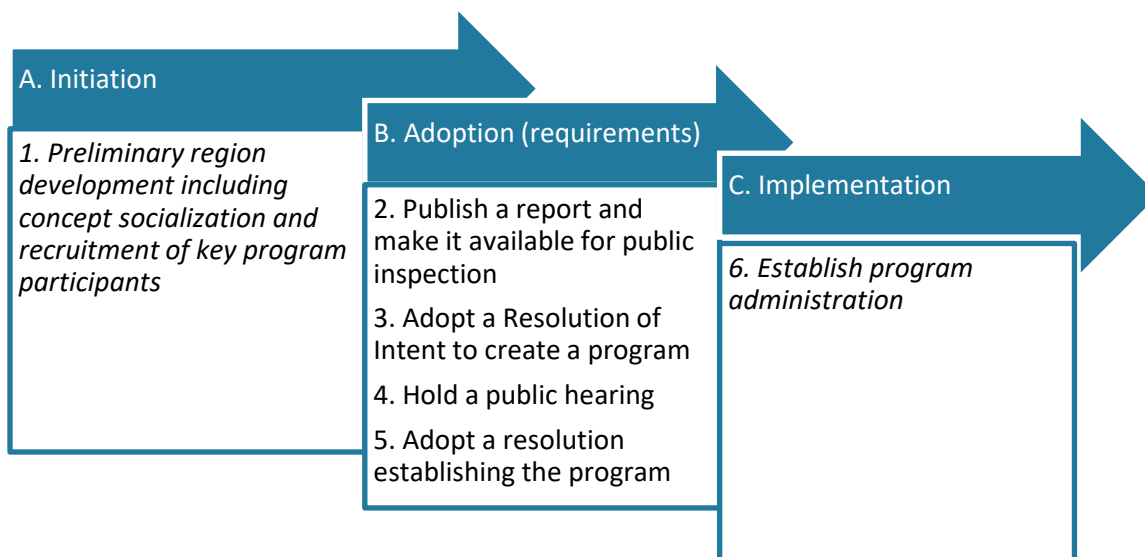


Figure 5 Steps to launch a TX-PACE program.

To facilitate this effort, the “PACE in a Box” model program provides recommendations and templates for the necessary documents, decisions and actions that a local government must take in order to fulfill legal requirements to create a TX-PACE region. Templates and best practices are noted in the links and footnotes, and have been used by every local government establishing a TX-PACE region. Exhibit C contains a sample program initiation framework and timeline.

- A. Initiation - Local government TX-PACE region establishment
 - 1. Preliminary region development:
Identify key local officials and staff to lead region development.
This will include elected officials such as the County Judge, Mayor, City Council

Members, County Clerk, and/or Tax Assessor, in addition to chiefs of staff and senior staff.

2. **Stakeholder engagement.** Determine how community outreach will occur. Details are provided in Section B.
3. **High-level TX-PACE Program Design Decisions**
 - **Designate the geographic scope of the TX-PACE region.** Every region established to date encompasses the entire footprint of the county or municipality. However, there is no defined geography required by the Texas PACE Act within the boundary of a local government.
 - **Determine how the program will be administered.** A program administration outline is illustrated in Figure 6.
4. **Establish source of funds, debt servicing procedures, costs and fees.** Determine whether private capital or non-general revenue bonds will be the source of capital if assessments will be collected by the local government, program administrator, or capital provider. Define how defaults will be handled.

B. Adoption

- I. Prepare a public facing report. This report will outline the extensive process and program decisions made by the local government. It must be posted on the local government website and a hard copy is made available to the public. This report is in a standard format and includes the following components:⁷
 1. **Map of the boundaries** of the designated program region,
 2. **Form Owner Contract.** As a means of paying for the building upgrades, the property owner signs a contract with the local government voluntarily consenting to having an assessment placed on the property and the terms of the assessment. A sample form contract can be found in PACE in a Box,
 3. **Form Lender Contract.** Contract between the local government and private capital provider chosen by the property owner whereby the county or municipality assigns the proceeds of the TX-PACE assessment to the capital provider. The contract specifies the financing and servicing of the debt through assessments. A sample form contract can be found in PACE in a Box,
 4. **Qualified improvements.** List the types of projects that are qualified projects as provided in the **PACE Act**: Projects that (a) involve the installation or modification of a permanent improvement fixed to privately owned commercial,

⁷ The PACE in a Box model report for proposed PACE program:

https://www.keepingpaceintexas.org/docs/library/mdl_piab_rpmt.pdf

Report examples include: Travis County - <https://www.traviscountytexas.gov/pace>; Brazos County -

<https://www.brazoscountytexas.gov/Index.aspx?NID=530>; and City of Houston - <http://greenhoustontx.gov/pdf/pace-report-2015-revised.pdf>.

industrial or residential real property with five (5) or more dwelling units; and (b) are intended to decrease energy or water consumption or demand by installing a product, device, or interacting group of products or devices on the customer's side of the meter that uses energy technology to generate electricity, provide thermal energy, or regulate temperature.

The PACE program may not be used to finance improvements to undeveloped lots or lots undergoing development at the time of the assessment, or for the purchase or installation of products or devices not permanently fixed to real property. A sample list of potential Qualified Improvements is attached as Exhibit B,

5. **Authorized Representative.** The [PACE Act](#) authorizes local governments to delegate administration of the TX-PACE program to a third-party “representative.” The “PACE in a Box” model details the administration of the program by a qualified, nonprofit organization that can administer the program at no cost to and receiving no compensation from the local government. A program administration outline can be found in Figure 6,
6. **Plans for Insuring Sufficient Capital.** Define how capital providers will extend loans to finance eligible improvements. “PACE in a Box” details model language for this section,
7. **Use of Bonds or Public Funds.** The local government must determine whether it does/ not intend to use public monies or issue non-general revenue bonds for TX-PACE project funding, ⁸
8. **Limit on Length of Loan.** The PACE Act requires that the payment timeframe for the TX-PACE assessment cannot exceed the useful life of the Qualified Improvement that to be installed,
9. **Application Process and Eligibility Requirements.** A description of the Program Administrator’s application process and project eligibility requirements,
10. **Means for Determining Ability to Pay.** Establish means for determining the property owner’s creditworthiness and ability to pay the assessment,
11. **[Notice of Contractual Assessment Lien.](#)** The lien that will be filed with the local tax assessor/collector securitizing the financing. A sample form contract can be found in PACE in a Box,
12. **[Requirement for mortgage holder consent.](#)** If a mortgage exists on the property, the current lender must consent to allowing a TX-PACE assessment on

⁸ While the use of non-general revenue (non-general obligation) bonds is permitted for TX-PACE financing, PACE in a Box best practice encourages development of a competitive market for capital as the initial and preferred source for PACE funding.

the property.⁹ A sample consent form can be found in PACE in a Box,

13. **Verification Review.** A qualified independent third-party reviewer is required to perform a review of savings calculations and submit a verification report stating that the project was completed properly and operating as intended,¹⁰
 14. **Marketing and Education.** The Program Administrator will likely have the primary outreach responsibility. Participation by the local government in those efforts will dramatically improve the reach and effectiveness of the program. PACE in a Box provides a marketing and education services plan to assist counties and municipalities with market penetration. Sample marketing and education items are attached in Exhibit D,
 15. **Quality assurance and anti-fraud measures.** This section outlines the Authorized Representative's responsibility for quality assurance and antifraud measures for the region, and
 16. **Collection of Assessments.** This section defines whether the assessments will be collected by the Program Administrator, the local government or the capital provider.
- II. **Adopt a resolution of intent.** This resolution indicates the plan of the local government to create a TX-PACE region, sets a public hearing date and incorporates the report.¹¹
 - III. **Hold a public hearing.** A public hearing provides an opportunity for the public to comment on the report and the proposed TX-PACE region.
 - IV. **Adopt a resolution to establish a local TX-PACE program** that includes:¹²
 1. An incorporated copy of the final report;
 2. The terms of the program included in the report; and
 3. A list of program elements, if any, that can be changed only after a public hearing.

A reminder that steps II-V are statutory steps that are required to create a TX-PACE program. Templates for all forms and contracts can be found in the "PACE in a Box" toolkit and the Texas PACE Authority website.

⁹ A case for lender consent: <https://www.texaspaceauthority.org/Documents/A-Case-for-Lender-Consent.pdf>

¹⁰ Independent Third-Party Review Forms are available for download here: <https://www.texaspaceauthority.org/key-documents/>

¹¹ The PACE in a Box Model Resolution of Intent to Establish a PACE Program: https://www.keepingpaceintexas.org/docs/library/mdl_roi.pdf

¹² PACE in a Box Model Resolution Establishing a Local PACE in a Box Program: https://www.keepingpaceintexas.org/docs/library/mdl_rsltn.pdf

A. Implementation – Program administrator selection

The TX-PACE administrative model is determined during program adoption. The PACE statute allows local governments the flexibility to design a TX-PACE program as they see fit. The program administrator can be a private sector entity, a government entity, or a collaboration of several entities. Texas PACE Authority, a third-party nonprofit is administering a uniform, market-based and flexible program on behalf of local governments in all of the regions where TX-PACE has been adopted at no cost to the local governments.

A local government may choose one of three administration models specified in the [PACE Act](#):

1. In-house administration whereby the local government staff and/or contract professional services administer the program;
2. Join a regional program whereby the local government works in coordination with other local governments to administer the program; or
3. Third-party program administrator. The local government contracts with a party external to the local government that can provide the appropriate qualifications, experience and capabilities.

The PACE Act authorizes the joint implementation and administration of TX-PACE programs in Texas. Local governments may cooperatively implement a single program to serve all participating local governments in a manner that allows the programs to be implemented together and administered as a single program. An example of this is The Lower Rio Grande Valley Development Council working with Texas PACE Authority to administer a single TX-PACE program for Cameron, Hidalgo and Willacy counties. Given the economies of scale, it may be easier and more beneficial for rural counties and municipalities with smaller local governments to enter into interlocal agreements and adopt the program using a shared regional administrative model.

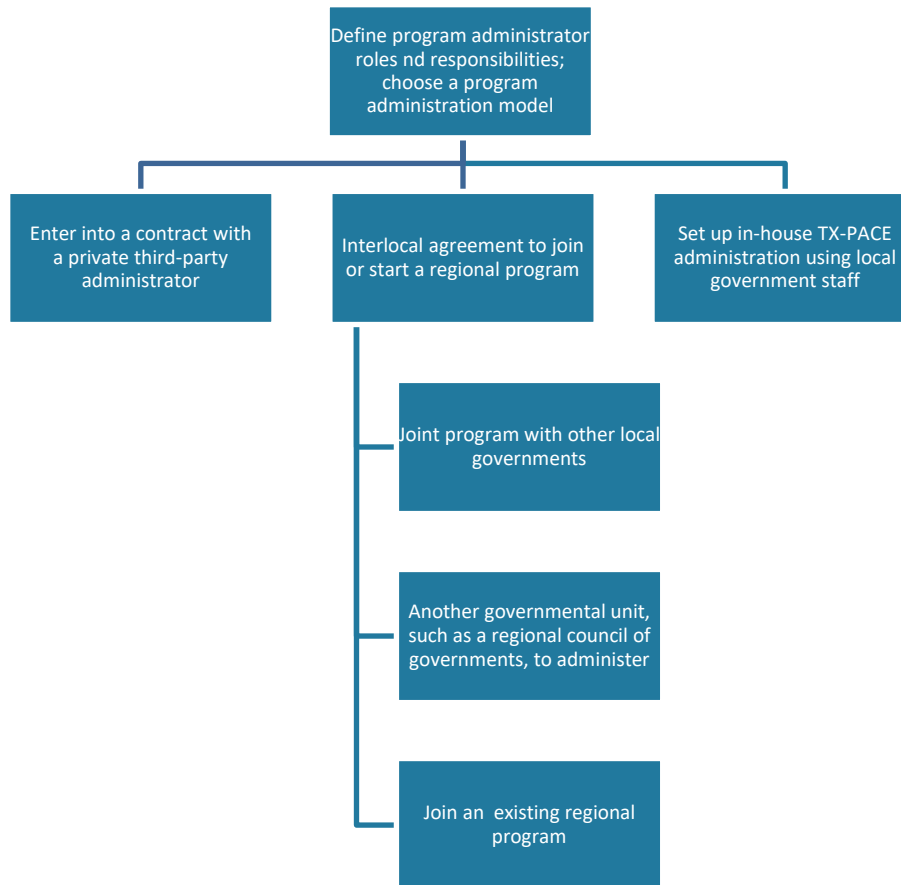


Figure 6 TX-PACE program administration models.

2.2 Stakeholder Engagement

Engaging stakeholders is critical to the success of a local government creating a TX-PACE region. Two types of stakeholders need to be engaged in the development of a local government TX-PACE program: local government and community partners and allies.

- Local government stakeholders may include:
 - Preliminary Region Development
 - An individual within local government designated as the point person to lead the Region adoption. (Economic development director, sustainability director, etc.), and
 - Individuals to assist with stakeholder engagement and build local government support (County Judge, Mayors, City Council Members, chiefs of staff, senior staff, County Clerk, Tax Assessor, etc.).
 - Resolution development and adoption
 - Local government staff to write the resolution, based upon model

PACE in a Box resolutions and previously drafted report, and shepherd it to introduction to the local government (legal department, chiefs of staff, etc.),

- Individuals to engage stakeholders to develop support for TX-PACE program (economic development office; sustainability office; chiefs of staff, tax assessor office, local water/energy utilities, municipal or county governing boards, etc.), and
- Elected official support to adopt the resolution (County Judge, County Commissioners, Mayor, Council Members, chiefs of staff, etc.).
- Post-Resolution Adoption
 - If required by resolution, an individual within local government designated to sign the assessment contracts (economic development director, etc.),
 - An individual to oversee the program administrator (economic development or other local government office),¹³ and
 - department or individual to promote the TX-PACE program (communications, public relations, etc.).
- Community partners and allies are critical to building support for the TX-PACE region. These stakeholders attend and speak at commissioner hearings and other public meetings. They also may spearhead a letter campaign or gather signatures to demonstrate community support for the region's creation. They may include:
 - Building owners, developers and property managers
 - Management districts, business improvement districts
 - Trade organizations
 - Nonprofits
 - Service providers
 - Economic development organizations
 - Sustainability and conservation organizations
 - Capital providers

¹³ Currently, all TX-PACE regions except the City of Dallas and Travis County delegate contract signing to the program administrator.

EXHIBITS

Exhibit A. Tools and Resources

TX-PACE legislation:

- The PACE Act, Chapter 399 of Local Government Code:
<http://www.statutes.legis.state.tx.us/Docs/LG/htm/LG.399.htm>
- HB 2654 : <http://www.legis.state.tx.us/tlodocs/85R/billtext/pdf/HB02654S.pdf>
- Legislative Support: <https://www.keepingpaceintexas.org/support-pace/legislative-support/>

Draft Program Report and Resolutions:

- Travis County: <https://www.traviscountytexas.gov/pace>
- El Paso County: <http://www.epcounty.com/pace.htm>

Local Government TX-PACE sample webpages:

- Brazos County: <https://www.brazoscountytexas.gov/Index.aspx?NID=530>
- City of Dallas: <https://www.dallasecodev.org/260/Property-Assessed-Clean-Energy-PACE>
- Travis County: <https://www.traviscountytexas.gov/pace>

Program Briefs and Case Studies:

- “PACE in a Box” toolkit including model documents, forms and contracts:
<https://www.keepingpaceintexas.org/library/document-library/>
 - TX-PACE overview for local governments: <https://www.texaspaceauthority.org/wp-content/uploads/Public-Sector-Flyer-092617.pdf>
 - TX-PACE overview for property owners: <https://www.texaspaceauthority.org/wp-content/uploads/Private-Sector-092617.pdf>
- Case studies, marketing materials and flyers: <https://www.texaspaceauthority.org/key-documents/>
- TX-PACE as a disaster recovery tool:
https://www.texaspaceauthority.org/wp-content/uploads/Texas-PACE-Program-Provides-Businesses-another-Tool-for-Disaster-Recovery_final.pdf

Event Examples:

- <https://www.eventbrite.com/e/amarillo-tx-pace-reception-december-6-tickets-39961189995>
- <https://www.eventbrite.com/e/el-paso-county-tx-pace-reception-october-17-tickets-38461544515>

Links:

- What is TX-PACE financing?
<https://youtu.be/5gnN72buvw4>
- Keeping PACE in Texas:
<https://www.keepingpaceintexas.org/library/links/>
Nonprofit business association organized for the purpose of promoting uniform

Property Assessed Clean Energy (PACE) financing "PACE in a Box" programs throughout the state of Texas.

- "PACE in a Box" toolkit:
<https://www.keepingpaceintexas.org/pace-in-a-box/>
The "PACE in a Box" Toolkit has all of the information, including design elements, documents and implementation steps necessary for a local government to establish an effective PACE program quickly and economically compiled in to one document.
- Texas PACE Authority:
<https://www.texaspaceauthority.org/>
Private, nonprofit, organization that administers the uniform "PACE in a Box" model as a public service on behalf of local governments.
- TX-PACE program guide and technical standards
<https://www.texaspaceauthority.org/Documents/Program%20Guide%20Version%202.0.pdf?dl=0>
- Texas Green Building Marketplace:
<http://texasgreenbuildingmarketplace.org/>
US Green Building Council Texas Region - This is a professional directory of qualified businesses -- design professionals, contractors, suppliers, operations and maintenance companies, and other service professionals -- that make commercial green building projects easier.
- State Energy Conservation Office:
<https://comptroller.texas.gov/programs/seco/funding/pace.php>
SECO partners with Texas consumers, businesses, educators and local governments to reduce energy costs and maximize efficiency.
- Investor Confidence Project:
<http://www.eepperformance.org/>
ICP is enabling a marketplace for building owners, project developers, finance and energy service providers, insurers, utilities, and a growing number of public programs and utilities to trade in standardized energy efficiency projects.
- Department of Energy Guide to Commercial Property Assessed Clean Energy Financing:
<https://energy.gov/eere/slsc/downloads/guide-commercial-property-assessed-clean-energy-financing>

Exhibit B. Sample List of Potential Qualified Improvements

ENERGY EFFICIENCY

- HVAC systems and controls
- Water heating systems
- Combustion and burner upgrades
- Heat recovery equipment
- Lighting systems
- Mechanical system modernization
- Energy management systems and controls
- Building enclosure and envelope improvements

WATER CONSERVATION

- Wastewater recovery and reuse
- Water management systems and controls (indoor/ outdoor)
- Irrigation equipment
- Rainwater collection systems
- Pool pumps
- Systems to capture, treat and use other on-site sources of water (condensate, rainwater, reverse osmosis reject water, etc.)

ONSITE GENERATION (RESILIENCY)

- Solar
- Wind
- Energy storage
- Fuel switching
- Combined Heat and Power (CHP)

EXHIBIT C. PROGRAM INITIAITION FRAMEWORK (WITH A CHECKLIST)

	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Week 14	Week 15	Week 16
<input type="checkbox"/> Create a Working Group - Key local government personnel: -Economic development -Legal -Tax -Procurement -Sustainability <input type="checkbox"/> Assign Committee Chair -Sets meeting agendas -Schedules weekly or bi-weekly update meetings -Assigns tasks																
<input type="checkbox"/> Create: <input type="checkbox"/> -Program Report <input type="checkbox"/> -Resolution of Intent <input type="checkbox"/> -Resolution establishing TX-PACE program <i>use PACE in a Box model documents</i>																
<input type="checkbox"/> Create: <input type="checkbox"/> -Owner Contract <input type="checkbox"/> -Lender Contract <input type="checkbox"/> -Notice of Assessment Lein <i>use PACE in a Box model documents</i>																
<input type="checkbox"/> Select Administrator																
<input type="checkbox"/> Execute Administrator Contracts																
<input type="checkbox"/> Build stakeholder support group <input type="checkbox"/> -Develop a letter of support for signature <i>use PACE in a Box model documents</i>																
<input type="checkbox"/> Community Outreach - Presentations and outreach to potential stakeholders including building owners, trade organizations, non-profits, service providers, economic development organizations, sustainability organizations, capital providers, etc.) <input type="checkbox"/> -Leverage Keeping PACE in Texas and Texas PACE Authority to present or provide materials <i>use PACE in a Box model documents</i>																
<input type="checkbox"/> Meet individually with elected officials - Judge/Mayor and all Commissioners/Council Members																
<input type="checkbox"/> Identify a Council Member or Commissioner to sponsor																
<input type="checkbox"/> Pass Resolution of Intent																
<input type="checkbox"/> Hold Public Hearing																
<input type="checkbox"/> Pass Resolution establishing a TX-PACE program																

EXHIBIT D. MARKETING AND EDUCATION OUTREACH

Once the program is adopted, the local government should work in partnership with the Program Administrator to establish a plan to demonstrate political commitment and help ensure that the community is quickly and consistently made aware of the availability of the TX-PACE program through its outreach channels. It is important to engage stakeholders early in the development of the marketing and outreach plan to create buy-in, ensure the appropriate message is being crafted and leverage additional resources.

These strategies can take a variety of effective outreach methods including:

- Lunch and learns that are co-sponsored by the local government and program administrator and underwritten by a local company;
- Staff and elected officials supporting the program and promoting completed projects via speaking engagements and media channels;
- Hosting training events.

Texas cities and counties affected by Hurricane Harvey have reached out to stakeholders to increase awareness of TX-PACE and its potential applicability to recovery efforts for property owners. Other cost-neutral ways to accelerate adoption are to offer incentives such as priority plan review or expedited permitting to TX-PACE participants.



Join the City of Amarillo
& Texas PACE Authority
for a
**Reception for Developers, Property Owners &
Managers, Lenders, and Community Leaders**

**Wednesday, December 6
4:30 - 6pm**
Amarillo Civic Center
Hospitality Room (Entrance 7)
[401 S. Buchanan](#)
[Amarillo, TX 79101](#)

RSVP: [Here](#)

Sponsored by: Counterpointe SRE, Greenworks Lending & Petros PACE Finance

The Amarillo PACE program enables developers and owners to upgrade their commercial, nonprofit, industrial, and multifamily properties with little to no capital outlay, taking advantage of affordable, long-term, private financing. Amarillo PACE answers the question, "How are we going to pay for it?" and is transforming how developers, owners, and contractors look at projects, proving that there is a clear path forward for energy efficiency, distributed generation, and water-use reduction measures. Learn how to grow your business with Amarillo PACE.





Register today to
take part in this
big day!

The [El Paso County Economic Development Department](#),
[El Paso Downtown Management District](#),
& [Texas PACE Authority](#)

Invite you to join us:

① DAY ② EVENTS

Countless Opportunities

TUESDAY, OCTOBER 17th

11 am - 2:30 pm

**TX-PACE Service Provider Training Workshop for
Property Managers, Facility Managers,
Contractors, and Engineers**

TechH2O Water Resources Learning Center
[10751 Montana Ave., El Paso, TX 79935](#)

RSVP: [Here](#) or
[1 \(855\) 738-7223](#) (toll free)

4:30 - 6 pm

**Reception for Developers, Property Owners and Managers,
Lenders, and Community Leaders**

Hotel Indigo Conference Room 5th Floor
[325 N Kansas St. El Paso, TX 79901](#)

RSVP: [Here](#) or
[1 \(855\) 738-7223](#) (toll free)

Sponsored by [Counterpoint Sustainable Real Estate](#)
& [Petros PACE Finance](#)

The [El Paso PACE](#) program enables developers and owners to upgrade their commercial, nonprofit, industrial, and multifamily properties with little to no capital outlay, taking advantage of affordable, long-term, private financing. [El Paso PACE](#) answers the question, "How are we going to pay for it?" and is transforming how developers, owners, and contractors look at projects, proving that there is a clear path forward for energy efficiency, distributed generation, and water-use reduction measures. Learn how to grow your business with [El Paso PACE](#).



Texas PACE Authority, 98 [San Jacinto, Suite 1900, Austin, TX 78701](#)

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PACE

Resolution

Lender Contract

Owner Contract

Notice of Contractual Lien

Map of Travis County

You are here: [Home](#) > [PACE](#)

PACE - Property Assessed Clean Energy

PACE is an innovative financing program that enables commercial, industrial, large multi-family, and agricultural property owners to obtain low-cost, long-term financing for water conservation, energy efficiency, and renewable energy projects. Participants will then repay those loans through a property assessment imposed by the local government at the request of the property owner. To find out if PACE financing may work for you contact the [Texas PACE Authority](#).



TRAVIS COUNTY PACE PROGRAM:

REPORT REQUIRED BY TEX. LOCAL GOV'T CODE SEC. 399.009

This report is adopted by the Travis County Commissioners Court for the proposed Travis County Property Assessed Clean Energy ("Travis County PACE") program (the "Program"), as required by [Tex. Local Gov't Code Sec. 399.009](#).

Travis County and its constituents benefit when privately owned commercial and industrial property and large multi-family residential property¹, is retrofitted with equipment that reduces demand for electric power² and water³. To encourage private sector investment in water and energy conservation in Travis County, the creation of a voluntary program that requires no use of taxpayer funds or risk to the local treasury is being proposed.

The Travis County PACE program is an innovative financing program that enables owners of privately owned commercial and industrial properties and large multi-family residential property to obtain low-cost, long-term loans for water conservation, energy-efficiency improvements, and renewable retrofits.

Passed and signed into Texas state law during the 2013 legislative session, the PACE statute, SB 385 (now Tex. Local Gov't Code Chap. 399), authorizes municipalities and counties in Texas to work with private sector lenders and property owners to finance qualified improvements using contractual assessments voluntarily imposed on the property by the owner.

The term of an assessment may extend up to the projected life of the improvement, which can result in utility cost savings that exceed the amount of the assessment payment. As a result, improvements financed through a PACE program may generate positive cash flow upon completion without up-front, out-of-pocket cost to the property owner.

PACE enables property owners to overcome market barriers, such as lack of access to capital and the extended time period it takes for utility savings to pay back the cost of a retrofit, which discourage investment in energy efficiency and water conservation improvements. PACE provides the property owner with upfront financing for up to 100% of the cost of a qualified improvement and allows the property owner to amortize the debt over the useful life of the improvement.

If a 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 the title to the property without recourse for subsequent payments on the previous owner, the lender, the County, or the Program Administrator.

- ▶ What are the Benefits of PACE?
- ▶ Who Can Participate in PACE?
- ▶ What Types of Improvements Qualify for PACE Financing?
- ▶ Who will Administer the Program?

About the Houston Advanced Research Center (HARC)

HARC is an independent research hub providing independent analysis on energy, air, and water issues to people seeking scientific answers. We are focused on building a sustainable future that helps people thrive and nature flourish.

<http://harcresearch.org/>



About the State Energy Conservation Office (SECO)

SECO partners with Texas local governments, county governments, public K-12 schools, public institutions of higher education and state agencies, to reduce utility costs and maximize efficiency. SECO also adopts energy codes for single-family residential, commercial, and state-funded buildings.

<https://comptroller.texas.gov/programs/seco/>

