Property Assessed Clean Energy (PACE) in North Texas

NORTH CENTRAL TEXAS COUNCIL OF GOVERNMENTS

AUGUST 17, 2022





Welcome & Housekeeping

Please keep your line on mute until the end of the presentations.

We will have an open Q&A session at the end of all the presentations. Please type your question in the chat box or type in your request to speak.

The webinar slides and recording will be posted on the Conserve North Texas website under News/Events \rightarrow Event Archive at the link below. Follow-up emails to come. <u>http://conservenorthtexas.org/event-archive</u>





Agenda

- Welcome & Housekeeping
- Introduction
- What is PACE? Gavin Dillingham, HARC
- PACE in Collin County/PACE for Developers Sean Terry, City of Celina
- City of Dallas PACE Program Ryan Doss & Kevin Spath, City of Dallas
- The Future of PACE in North Central Texas
- Q&A
- Resources





Background

NCTCOG has received funding through the State Energy Conservation Office (SECO) to work on energy management and efficiency projects within the North Central Texas region. As part of our scope of work we have provided webinars and technical assistance on a variety of energy management, energy efficiency, and renewable energy topics.

NCTCOG has also committed to providing ongoing technical assistance and coaching to the region to increase PACE participation.

Today's webinar is supported through funding from SECO.





Speakers

GAVIN DILLINGHAM, PhD

Vice President Research, Energy and Air Quality Houston Advanced Research Center (HARC)

MAYOR SEAN TERRY

Mayor, City of Celina Vice President Centurion American

KEVIN SPATH, AICP

Assistant Director Office of Economic Development City of Dallas

RYAN DOSS, MPA

Economic Development Analyst Office of Economic Development City of Dallas





PICKING UP THE TEXAS PACE

Gavin Dillingham, PhD Vice President, Research

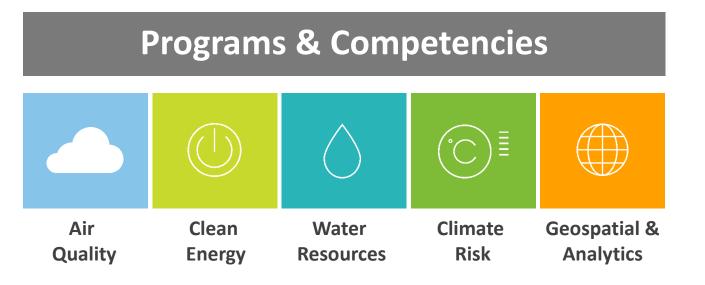
August 16, 2022

AGENDA

- -What is PACE?
- -Texas PACE History
- -How PACE Works for
 - Local Governments
- -Current Status

Mission

Providing independent analysis on energy, air, and water issues to people seeking scientific answers.



HARC is a nonprofit research organization established in 1982.

We specialize in sustainability research and research management.

We engage in research that helps people thrive and nature flourish.



AGENDA

What is PACE? Texas PACE History -How PACE Works for Local Governments Current Status

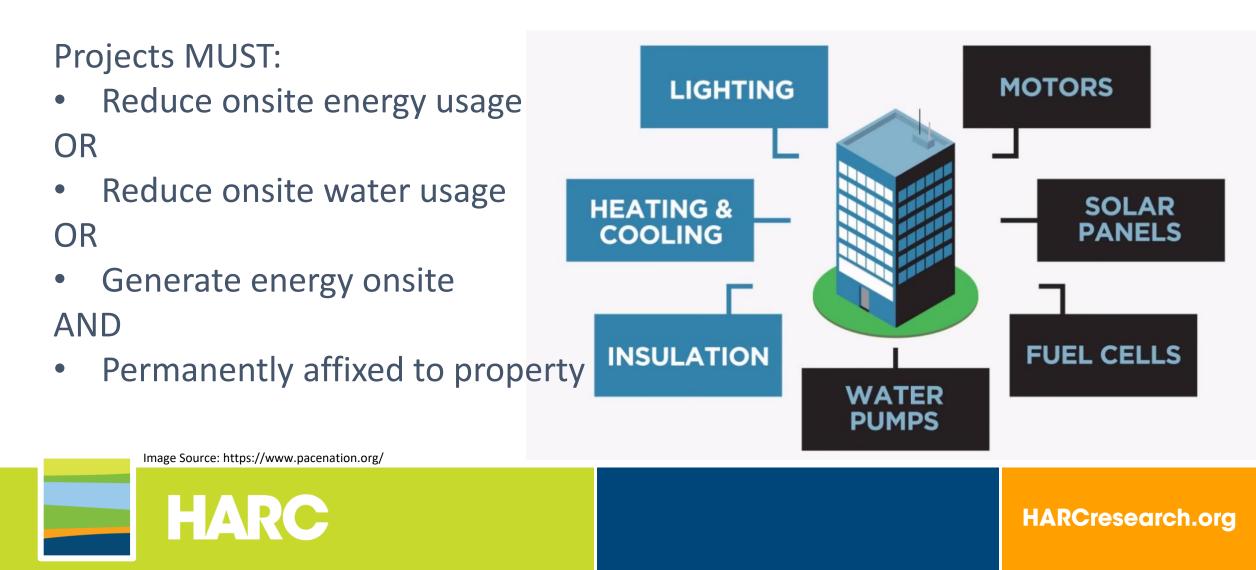


WHAT IS C-PACE?

- Economic Development Tool Property Assessed Clean Energy (PACE) financing
- Long-term, low-cost, 100% financing
- For energy efficiency, water conservation, and distributed generation projects
- On commercial (including non-profit, hospitality, and healthcare); industrial (including manufacturing and agricultural); and multi-family (5+ units); previously developed property
- Repaid via special voluntary property assessment over the useful life of the improvements
 - State Authorized
 Voluntary & Open Market
 Local Government Enabled



ELIGIBLE IMPROVEMENTS



HOW PACE WORKS – PROGRAM ADOPTION



Image Source: Department of Energy

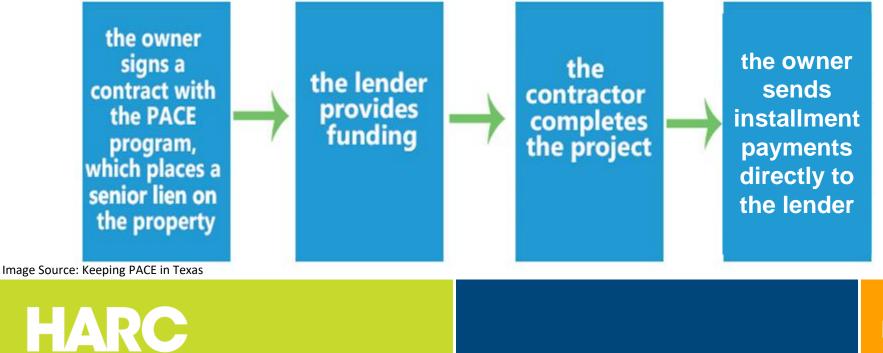


HOW PACE WORKS – PROJECT FLOW

A Building Owner:



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



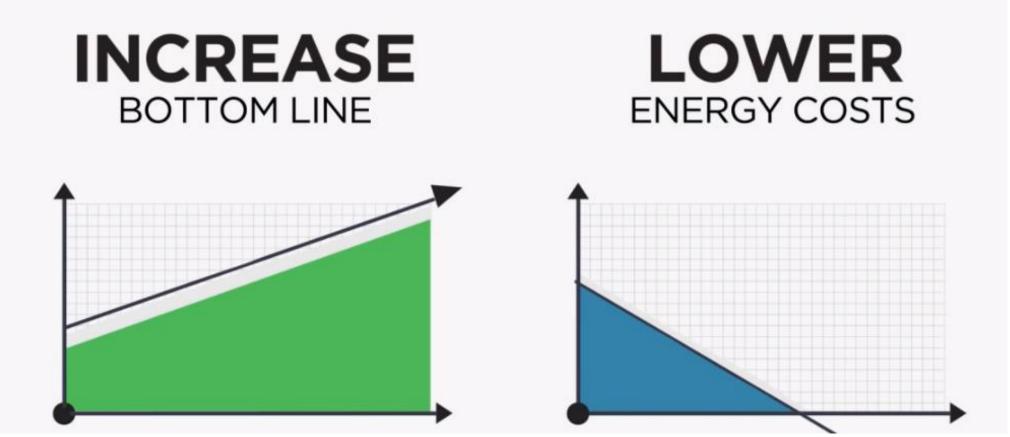


Image Source: https://www.pacenation.org/



WHAT PACE DOES ENERGY / WATER SAVINGS



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Barfield Building City of Amarillo

Upgrades: Building Envelope,
Domestic Hot Water Heating,
Lighting, Water Efficiency
PACE Assessment: \$6.4M
HTC: \$9M
Savings: 73% Electric, 79%
Natural Gas, 40% Water

Source: https://www.texaspaceauthority.org/wp-content/uploads/CS_Amarillo-Barfield-2019-02-27B.pdf

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Elgin General Store Bastrop County

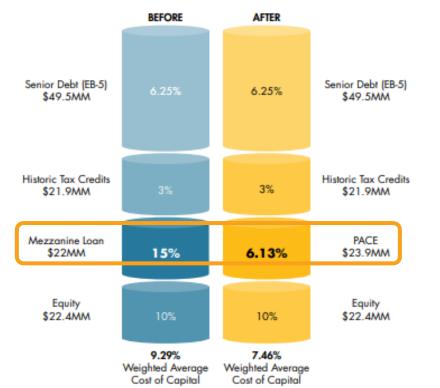
Upgrades: Solar PV PACE Assessment: \$120,000 USDA REAP Grant & Oncor Incentives: \$62,000

Annual Energy Savings: 26%

Source: https://www.texaspaceauthority.org/wp-content/uploads/CS_Elgin-General-2019-03-04.pdf

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CAPITAL STACK COMPARISON





Butler Brothers Building City of Dallas

Upgrades: HVAC, Glazing, Envelope, Insulation, Irrigation, Lighting, Plumbing, Roofing

PACE Assessment: \$24M

Savings: 40% Energy

Source: https://www.texaspaceauthority.org/wp-content/uploads/CS_Butler-Brothers_2018-11-05.pdf

PACE

FINANCING





RJ Liebe Athletic Lettering Company Navarro County

Upgrades: HVAC, LED *PACE Assessment:* \$324,559 *Annual Energy Savings:* 187,177kWh

Source: https://www.texaspaceauthority.org/wp-content/uploads/CS_RJL-Navarro_8-2.pdf



THE CONTINENTAL GIN BUILDING - PROJECT CAPITAL STACK



Source			
Sponsor Equity	\$	7,000,000	18.79
Federal Investor Equity	\$	4,056,282	10.89
State Investor Equity	5	5,236,925	14.06
3309 Elm TIF, Inc. (TIF Contributions)*	5	1,000	0.00
PACE Lender	\$	5,250,000	14.10
Frontier State Bank	5	12,500,000	33.56
3309 Elm Developer, LLC (Sponsor DDF Loan)	5	3,200,000	8.59
Subtotal	\$	37,244,207	
Use			
Acquisition	5	3,307,462	
Soft Costs	5	5,554,086	
Hard Costs	\$	24,182,659	
Deferred Developer Fee	5	3,200,000	
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*City of Dallas TIF Grant of \$3,000,000 to be paid by City from 2021 through 2026

¹ Capital stack details provided by Phil Geheb, Munsch Hardt Kopf & Harr, P.C



Source:https://www.texaspaceauthority.org/wp-content/uploads/CS_Continental-Gin2.pdf

Continental Gin Building City of Dallas

Upgrades: Solar Panels, Roofing, Glass/Glazing, Exterior Walls, Elevators, Mechanical/HVAC, Electrical/LED Lighting

PACE Assessment: \$5.25M

Jobs Created: 72





Congregation Beth Israel Travis County

Upgrades: HVAC, BAS controls, window film

PACE Assessment: \$452,105 **Utility Incentives:** \$11,000

Annual Energy Savings: 20%

Source: https://www.texaspaceauthority.org/wp-content/uploads/CBI-CaseStudy.pdf





Maurine Street Apartments Wichita County

Upgrades: Above code air conditioning, siding, insulation, windows, roof coating

PACE Assessment: \$1.4M
Annual Utility Savings: 27%

Source: https://www.lonestarpace.com/wp-content/uploads/2022/02/resources-case-study-Maurine-Street-Apartments.pdf

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PACE BENEFITS

Property Owners: overcome investment barriers, decrease utility bills, increase property value, align landlord and tenant interests

Contractors: increase local hiring, remove customer financial barriers, accelerate project timelines

Capital Providers: new loans, fully collateralized, improved asset value, stable process

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Local Communities: job growth, economic development, improved building infrastructure /stock

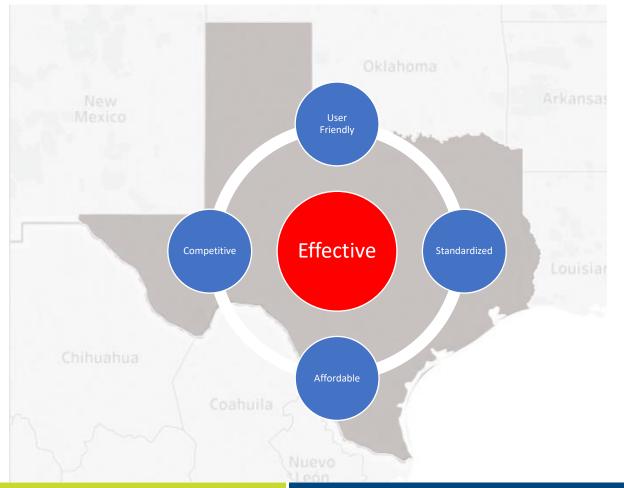
State: reduce peak demand, improve grid loading, enhanced water conservation

AGENDA

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TEXAS DESIGN = TEXAS PACE





TEXAS PACE HISTORY

- Keeping PACE in Texas -> Texas PACE Coalition
- 2013 83rd Session: SB 385; HB2654 -> PACE Act -Local Government Code Chapter 399
- PACE in a Box

HARC

- 2015 1st program adopted in Travis County
- 2017 HB 2654 Amends PACE Act relating to the personal liability of certain elected officials
- 2022 \$150MM invested across Texas



PACE in a Box

- Toolkit for Texas municipalities and counties to create uniform, user-friendly, scalable and sustainable PACE programs throughout Texas.
- Minimize local government administrative responsibilities and burden.
- Best practices, model documents and contracts.





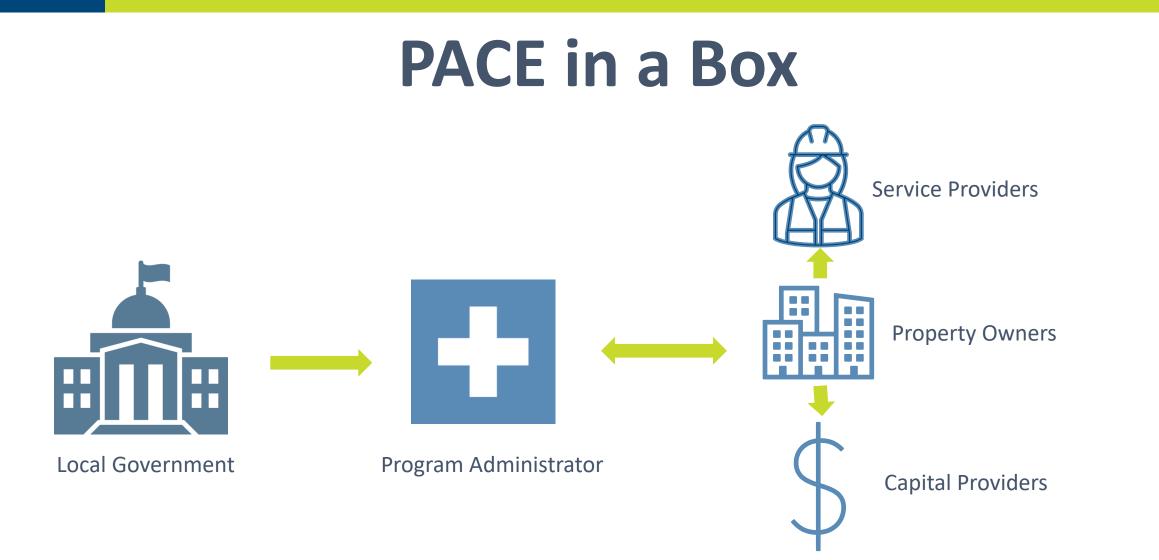
PACE in a Box

Local Government Risk Avoidance

- Financial
 - No tax dollars and TX-PACE poses no risk to a local treasury.
 - All PACE contracts acknowledge there is no recourse to the local government.
 - Government costs covered if foreclosure
- Fiduciary
 - Best practices with consumer protection
 - Strong local stakeholder support

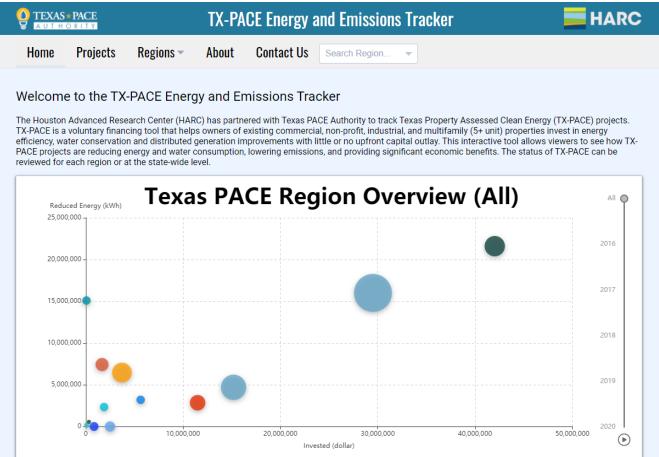
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UNIFORM STANDARDS means UNIFORM DATA



http://pace.harcresearch.org/



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HOW PACE WORKS

PROGRAM DETAILS

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TX-PACE REGION DEVELOPMENT

- 3 steps for local governments to launch a TX-PACE region:
- •Initiation Concept socialization and recruitment of key program participants
- •Adoption Local government's formal adoption of the program
- •Implementation Program creation and administration



TEXAS PACE RISK AVOIDANCE

- •Tax dollars are not needed and TX-PACE 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 official is **protected from individual lawsuits** related to the program.

•All PACE contracts acknowledge there is **no recourse to the local government**



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U.S. C-PACE LANDSCAPE

PACE-enabling legislation is active in 38 states plus D.C.

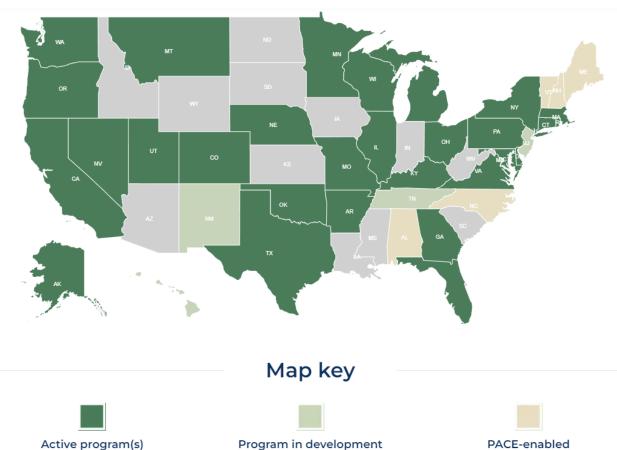


Image Source: https://www.pacenation.org/pace-programs/

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TEXAS PACE LANDSCAPE

Counties

Aransas Bastrop Bell Bowie Brazos Burnet Cameron Caldwell Comal Dallas Dawson Denton Dickens El Paso Erath

Fisher Freestone Fort Bend Galveston Grayson Guadalupe Harris Hardin Haskell Hays Henderson Hidalgo lefferson Medina McLennan

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Midland Milam Navarro Nueces Rives San Patricio Smith Tarrant Tom Green Travis Washington Wichita Willacy Williamson

Cities Abilene Alamo Heights Amarillo Anna Balcones Heights Boerne Borger Burleson Cameron Castle Hills Celina Corinth Dallas Eagle Pass

Farmers Branch Forney Fredericksburg Freeport Gainesville Hondo Houston Jacinto City Johnson City Laredo Leon Valley Live Oak Lubbock Mabank

Panhandle Paris Poteet Port Lavaca Princeton Prosper Red Oak **Rockdale** Rowlett San Antonio Snyder Tulia Universal City Victoria Wharton

HARCresearch.org



U.S. C-PACE MARKET

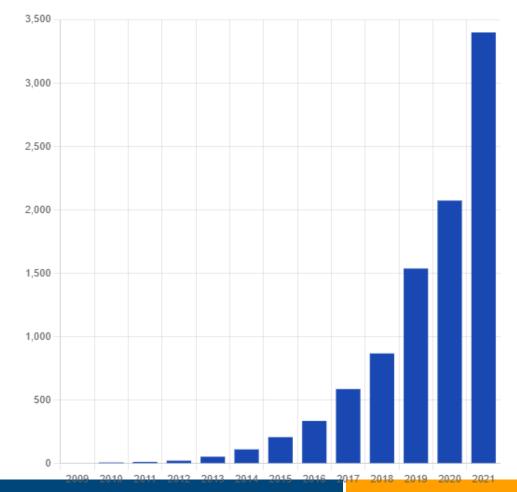
2,760 commercial projects\$3.4 million investment

Project Types

- Energy efficiency 55%
- Renewable energy 17%

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- Mixed 15%
- Resiliency 3%

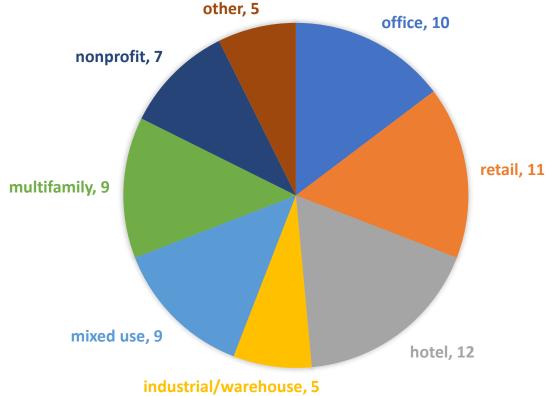


Source: https://www.pacenation.org/pace-market-data/



TEXAS PACE MARKET NUMBER OF PROJECTS

.



Source: <u>https://www.texaspaceauthority.org/</u> and https://www.lonestarpace.com/resources/



66 commercial projects

~3,000 jobs created

\$245.5 million investment

HARCresearch.org

THANK YOU



Gavin Dillingham, PhD Vice President, Research gdillingham@harcresearch.org





Property Assessed Clean Energy Programs in DFW

Mayor Sean Terry, Celina Vice President, Centurion American



"If the energy efficiency of commercial and industrial buildings improved by 10 percent, the collected savings would be \$40 billion."

- U.S. Department of Energy





Property Assessed Clean Energy ("PACE") is a simple and effective way to finance renewable energy, energy efficiency and water efficiency upgrades.

- Over 37 States have enacted PACE legislation.
- Over 70 Texas cities and counties have enacted PACE programs in the last five years.
- Authorized under Chapter 399 of the Texas Local Government Code
- Property owners enter into a <u>voluntary</u> property assessment for up to 100% project financing
- Promotes "green" initiatives, economic development, and increased property values at no cost to taxpayers
- Facilitates private investment in energy & water efficiency and renewable energy upgrades to commercial, industrial and multifamily properties (5 or more units).
- Assessments are paid over the useful life of the improvements.

"A 12W LED light bulb produces the same amount of light as a traditional 60W Incandescent light bulb while saving 75%-80% on energy costs and lasts 25X longer."

- Energy.Gov





Benefits to Commercial Property Owners:

- Helps Lower Electric, Gas and Water Utility Bills
- Lowers Carbon Footprint and Helps the Environment
- 100% Financing on Hard and Soft Costs
- Provides Long-Term Funding
- Typically Results in Savings From Day One
- Increases Property Values
- Often Results in Improved Cash Flow

"For a typical office building, energy represents 30 percent of the variable costs and constitutes the single largest controllable operating cost."

- National Action Plan for Energy Efficiency

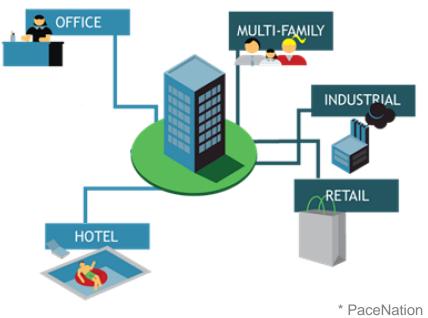






PACE can be utilized to upgrade "business" properties such as commercial, industrial and multifamily facilities (5 or more units).

- Commercial PACE
 - Upgrades/Renovations to Existing Facilities (No new or greenfield construction.)
 - Leased or Owner Occupied Buildings
 - Multi-Family Housing (5 or More Units)
 - Hospitality
 - Industrial



"If the energy efficiency of commercial and industrial buildings improved by 10 percent, the collected savings would be \$40 billion."

– U.S. Department of Energy







Energy Efficient Upgrades:

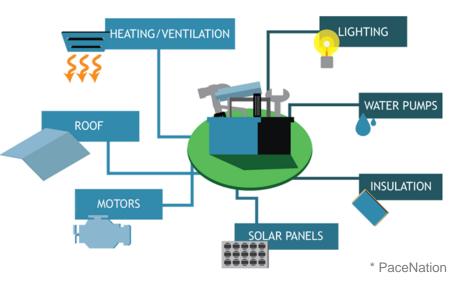
High-efficiency heating ventilation and air conditioning (HVAC), windows and doors, insulation, water heating, pool equipment, lighting, roofing, etc.

Water Efficient Upgrades:

High-efficiency toilet fixtures, faucet fittings, shower heads, water delivery systems, artificial turf, efficient sprinkler systems, drip irrigation, gray water systems, etc.

Renewable Energy Upgrades:

Solar panels, solar water heating, wind turbines, etc.

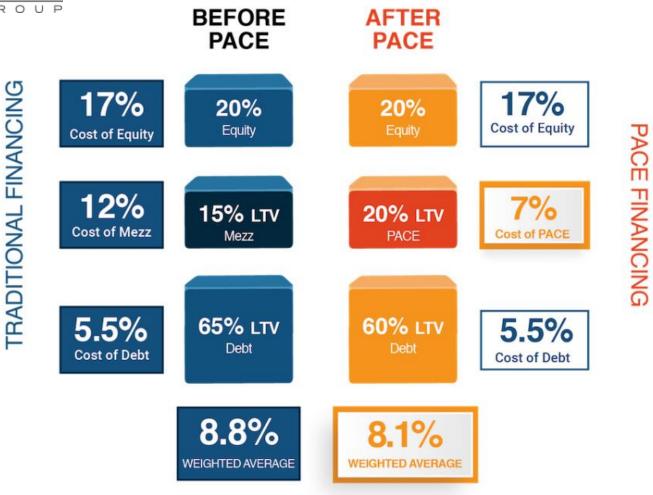


"The more energy-efficient we become as a nation, the less we need to develop additional energy sources."



PACE COMPARISON





"51 percent of all US energy consumption is commercial or industrial." - Buildings Energy Data Book







- Loan to Value Ratio (LTV)
 - ≤20% of the assessed property value*
- Savings to Investment Ratio (SIR)
 - ≥1.0^{*}

Mortgage Holder Consent

- Written consent required from existing mortgage holders
- Expected Useful Life (EUL)
 - Assessment term must not exceed weighted cost average of improvements Expected Useful Life (EUL)

*Requests for variance are evaluated on a case-by-case basis

"While our energy efficiency is improving, there is a very high correlation, almost near perfect correlation, between GDP growth and energy usage."

- Malcom Turnbull





Lone Star PACE is the PACE program administrator for Collin, Denton & Dallas Counties

- PACE Administrator Located in Frisco, Texas
 - Registered Municipal Advisor with oversight by the Securities & Exchange Commission (SEC), Municipal Securities Rulemaking Board (MSRB) and Texas State Securities Board (TSSB)
 - MSRB Rule G-42 covering municipal advisors includes a fiduciary requirement of duty of care and duty of loyalty to its municipal entity clients

Lone Star PACE Principals

- Program Administrator for Governmental Programs that Financed \$22 Billion in Public Benefit Projects Nationwide (PACE, Tax-Exempt Bonds, New Markets Tax Credits, etc.)
- Over \$1 Billion of Environmental and Economic Development Projects Financed in 50+ Texas Cities/Counties
- More than 550 transactions completed to date

"Drip irrigation systems can result in water savings of 30 to 65 percent compared to traditional systems." — Irrigation Green Industry



City of Dallas PACE Program

Kevin Spath, Assistant Director – Office of Economic Development

Ryan Doss, Analyst – Office of Economic Development

City of Dallas: Looking Back

• 2013	City supports Texas PACE Act; signed into law June 14, 2013
• 2013-2014	City participates in statewide PACE in a Box Working Groups & NCTCOG discussions about possible regional program
• 2015	City adopts Resolution of Intent to establish PACE Program (based on PACE in a Box model); initiates competitive procurement process to solicit a third-party Program Administrator
• 2016	City establishes first City-enacted PACE Program in Texas; selects Texas PACE Authority (TPA) as Program Administrator through competitive procurement
• 2017	City closes first PACE project (\$24M PACE financing); largest PACE project in Texas at the time
• 2020	City adopts first Comprehensive Environmental and Climate Action Plan (CECAP); identifies PACE Program as specific action to help achieve Goal 1 (increase energy efficiency of existing buildings) and Goal 2 (ensure affordable access to renewable energy)

50



City of Dallas: Projects



Continental Gin



JW Marriott Hotel



Red Bird Mall Redevelopment

Project	PACE Financing	Property Type	Jobs Created	CO2 Avoided (tonnes)	Annual electricity savings (kWh)	Annual Natural Gas savings (BTU/yr)	Annual Water Savings (Gal/yr)
Butler Brothers	\$ 23,912,325	Mixed Use	193	3,507	6,691,648	460	692
Dallas Paint and Body	\$ 74,140	Garage	1	21	40,572		
Continental Gin	\$ 5,250,000	Mixed Use	72	1,318	1,398,812	11,124	515
JW Marriott	\$ 5,059,884	Hospitality - Hotel	55	252	448,135	350	577
RedBird Mall	\$ 3,350,000	Mixed Use	40	351	673,784		3,420
6510 Abrams Road	\$ 496,383	Office	6	310	596,499		
Preston Center	\$ 2,925,880	Mixed Use - Office, Retail	41	943	1,813,002		
Jackson Street Garage 2021	\$ 5,140,163	Garage	66	266	511,524		
Jackson Street Apartments	\$ 26,859,837	Mixed Use- Multifamily, Retail	347	1,254	2,258,432	1,485	4,967

City of Dallas: Butler Brothers Building

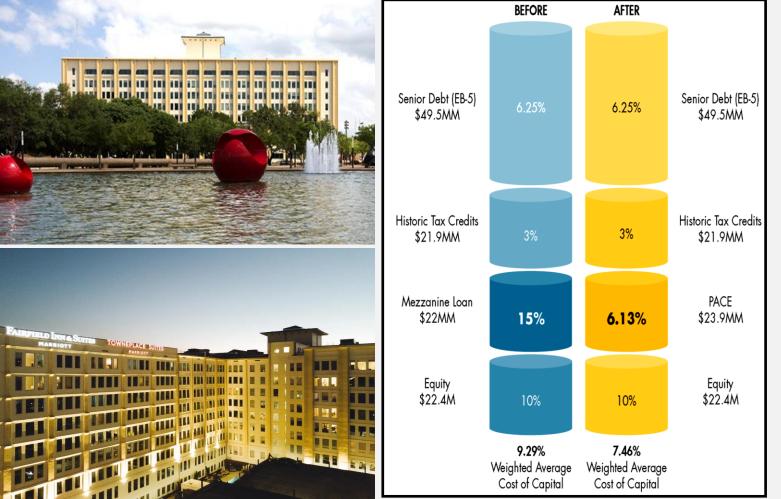
Measures

- HVAC
- Lighting
- Insulation
- Roofing
- Glazing
- Plumbing
- Irrigation
- Exterior Waterproofing and Plaster

Assessment Total

• \$23.9 million

- 40% energy reduction
- 700,000 gallons of water
- $3,500 \text{ metric tons } CO_2$



City of Dallas: Dallas Paint & Body



Measures

- LED lighting
- Solar PV

Assessment Total

• \$74,000

Annual Savings

 92% reduction in electric consumption

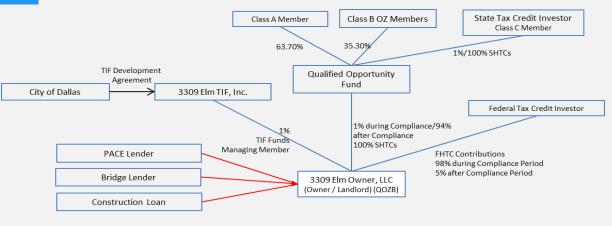
City of Dallas: Continental Gin Building



- Roofing
- Glass/Glazing
- Ext. Walls
- Mechanical/HVAC
- Lighting Solar
- Elevators

Assessment Total

• \$5.25 Million







Source			
	\$	7,000,000	18.79%
Sponsor Equity			
Federal Investor Equity	\$	4,056,282	10.89%
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	Ś	37,244,207	

*City of Dallas TIF Grant of \$3,000,000 to be paid by City from 2021 through 2026 55

City of Dallas: Reimagine RedBird Mall

Measures

- HVAC
- Lighting
- Plumbing

Assessment Total

• \$3.35 Million

- 673,784 kWh
- 3,420,000 gallons of water
- 351 metric tons CO₂









City of Dallas: 6510 Abrams Rd.



• HVAC

Assessment Total

• \$493,449

- 596,499 kWh
- 310 metric tons CO₂



City of Dallas: Preston Center

Measures

- HVAC
- Lighting
- Plumbing
- Wall/Roof Replacement
- Glazing
- Irrigation
- IAQ Technology

Assessment Total

• \$2.9 million

- 1,813,002 kWh
- 943.43 metric tons CO₂



City of Dallas: Jackson St. Garage & Apartments

Measures

- Electrical/Lighting
- Mechanical/Plumbing
- Lighting
- HVAC
- Plumbing
- Water Conservation

Assessment Total

- Garage: \$5.1 million
- Apartments: \$26.8 million

- 2,769,956 kWh
- 4,967 gallons of water
- 1,520 metric tons CO_2



PACE in North Texas

- PACE continues to be a successful and innovative redevelopment tool for the City of Dallas
- Lessons Learned:
 - Need for Continuous Promotion & Education of PACE for Lenders and Property Owners
 - Uniformity & Consistency is Key
 - Third Party Program Administrators should remain Third Party
 - Ripe for Regionally Administered Program?









The Future of PACE in North Texas

NCTCOG's involvement in PACE:

- September 2020: NCTCOG receives a grant from the State Energy Conservation Office (SECO), which requires the promotion of PACE programs as a contract deliverable.
- December 2020: Several NCTCOG member cities express interest in a regional PACE program administered by NCTCOG and a third-party contractor.
- May 2021: NCTCOG hosts a virtual PACE Roundtable and gains further support for creating a regional program.
- 2021-2022: NCTCOG continues exploring the potential of creating a regional PACE program administered by the COG.

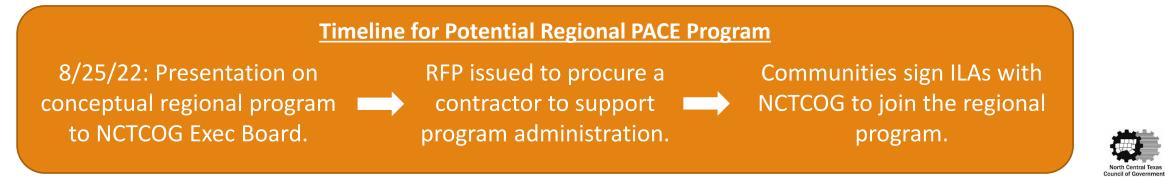




The Future of PACE in North Texas

Conceptual regional PACE program:

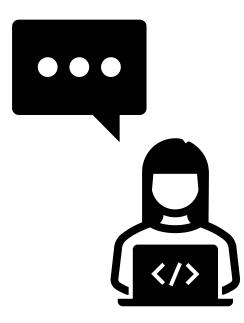
- Administered by NCTCOG and a third-party PACE contractor.
- Voluntary for local governments to join; must opt into the program via an ILA.
- Standardized program allows for uniformity and consistency across communities and contributes to economies of scale.
- Supports smaller and more rural local governments lacking resources to establish their own PACE programs.





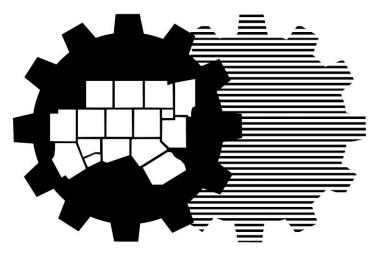
Q&A Roundtable

Have a question? Please raise your "hand" and unmute your line or place your question in the chat.









North Central Texas Council of Governments

Additional Resources



Conserve North Texas

Clearinghouse of Energy Efficiency, Water Conservation, and Transportation Resources

Resource Types:

- Programs
- o Tools
- Calculators
- Case Studies

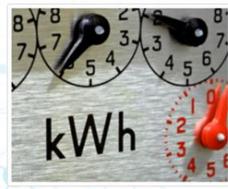
www.conservenorthtexas.org

Topic



Water

Find resources to reduce water use and increase water conservation within the public and private sector.



Energy

Search resources that help reduce energy consumption and increase energy efficiency across all sectors.





Fuel

Explore resources to reduce energy and fuel intensity within the transportation sector.



Keeping PACE in Texas

Nonprofit Business Association Promoting PACE in the State of Texas

Resource Types:

- PACE in a Box Toolkit
- Technical Standards Manual
- Template Forms & Contracts

www.keepingpaceintexas.org







Texas PACE Administrators

Third-Party Contractors Supporting Local Government PACE Administration

Resource Types:

- Contract Administration
- o Tools & Calculators
- Reports
- Case Studies

www.lonestarpace.com www.texaspaceauthority.org





Webinar Recording and Presentation Slides



- Today's presentation slides and recording will be posted on the Conserve North Texas website under News/Events → Event Archive located here: <u>http://conservenorthtexas.org/event-archive</u>
- Follow-up emails to come to all registrants.
- Please email Breanne Johnson, <u>bjohnson@nctcog.org</u>, if you did not register but would like to be added to follow-up emails.



FOR MORE INFORMATION

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www.nctcog.org/envir/natural-resources/energy-efficiency



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