

Keeping PACE

with

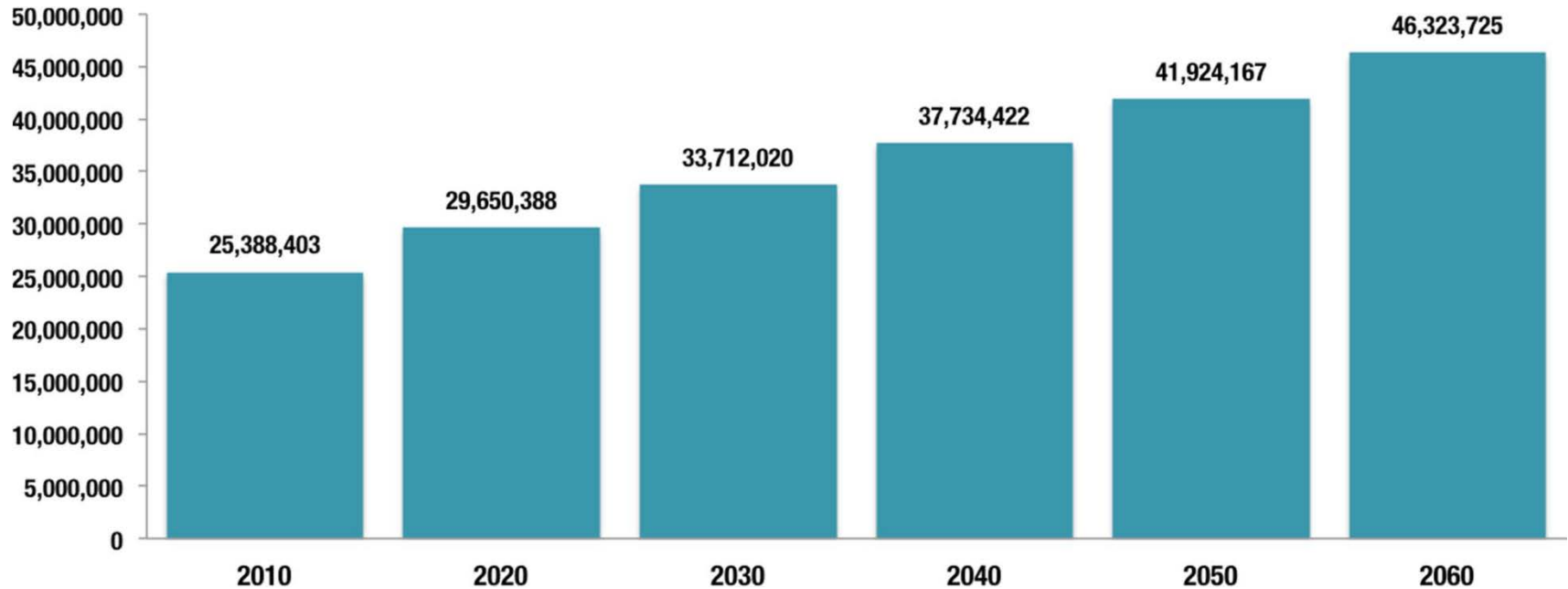
Dallas

www.TexasPACEAuthority.org

PACE in Texas

- 83rd 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

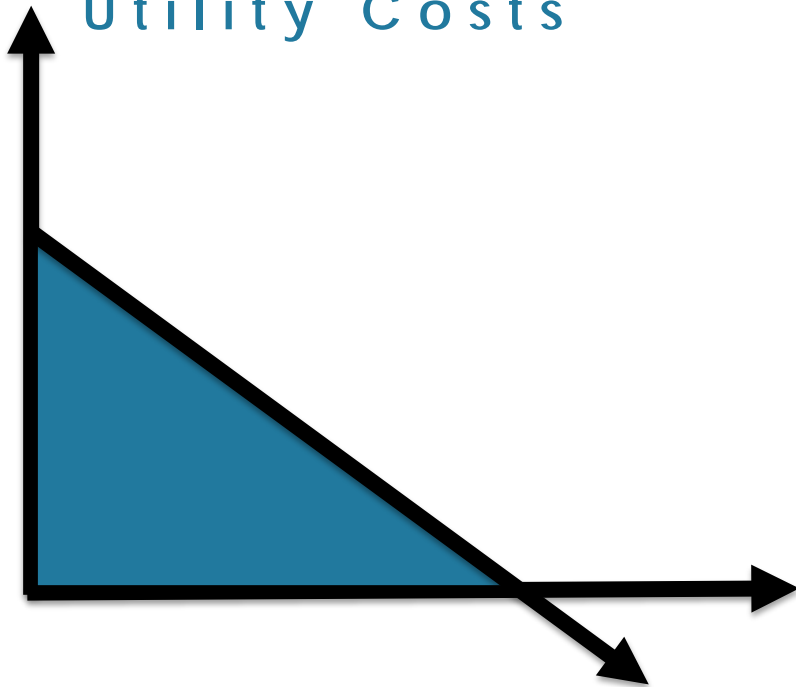
Projected Texas Population



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

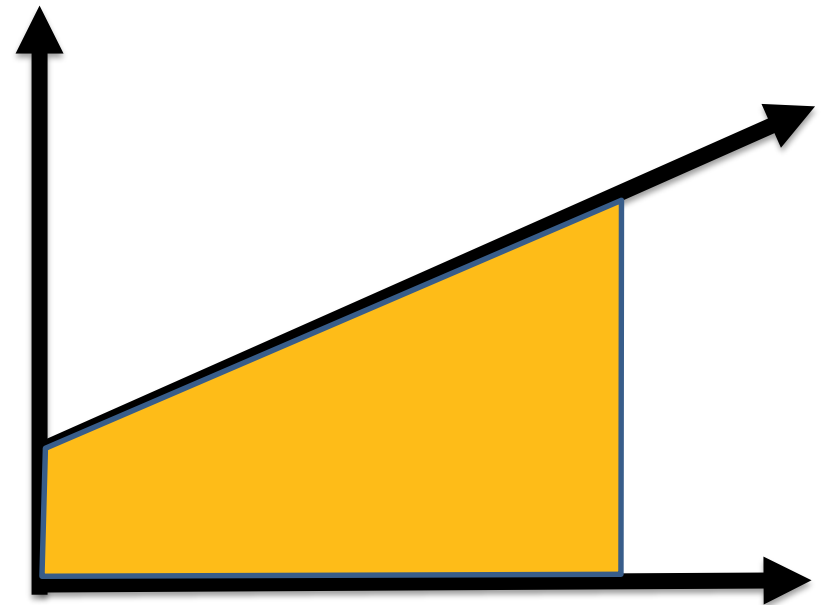
Lower

Utility Costs



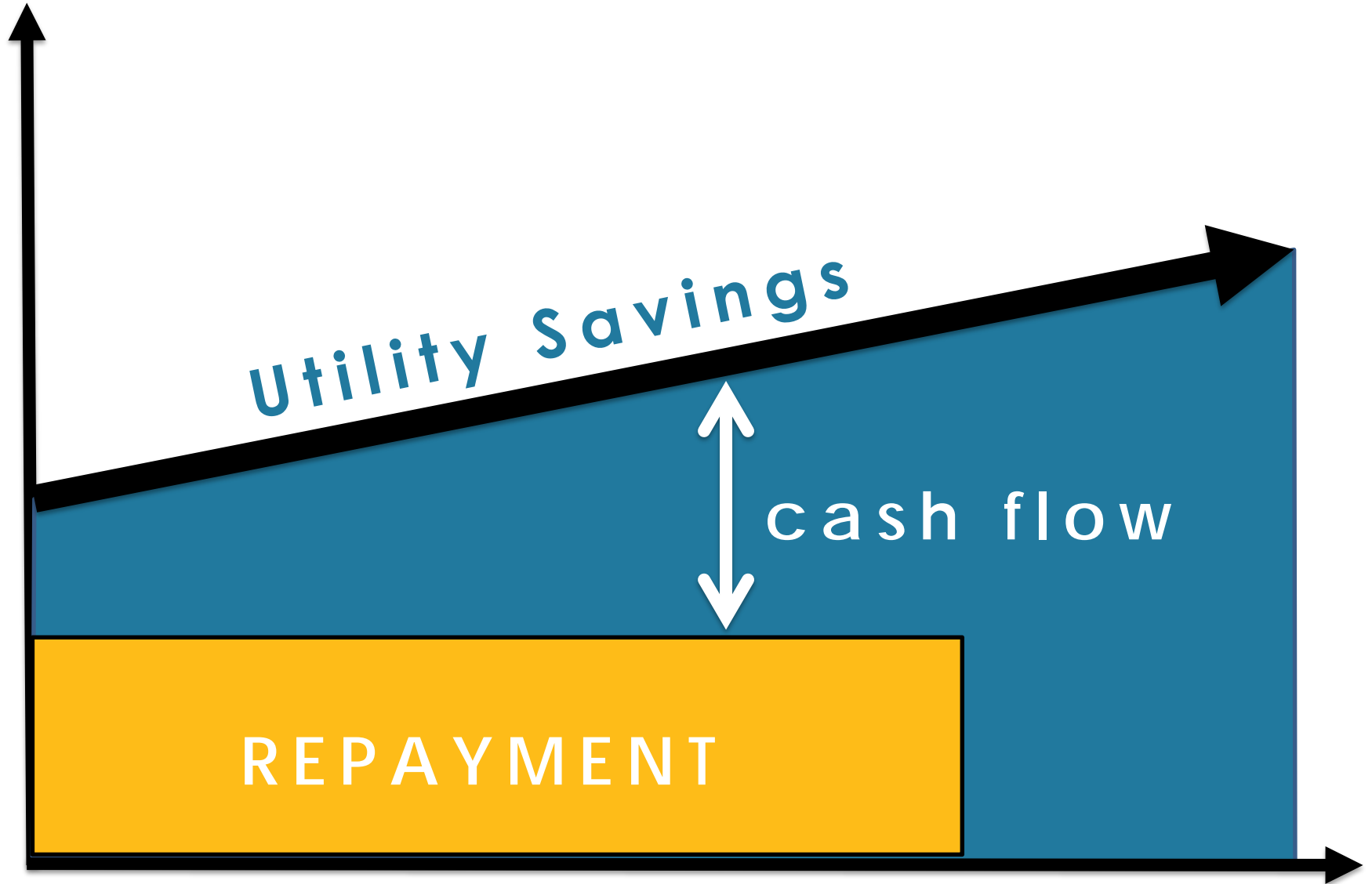
Increase

Net Operating Income



Bottom Line: Increased Building Value

Long Simple Payback?
No Problem!



Financial Impact of PACE - An Example

- ✓ Commercial Office Building
- ✓ Project involves a \$1.1M energy efficiency retrofit
- ✓ Annual energy and maintenance savings of \$125,000 (8.8 years simple payback)
- ✓ The project does not pass the Landlord's hurdle rate for investment in energy efficiency
- ✓ PACE funding available for 20 years at 6.5%.
- ✓ Conventional Funding for 5 years at 4.5%(20% down)

Gross Lease Scenario

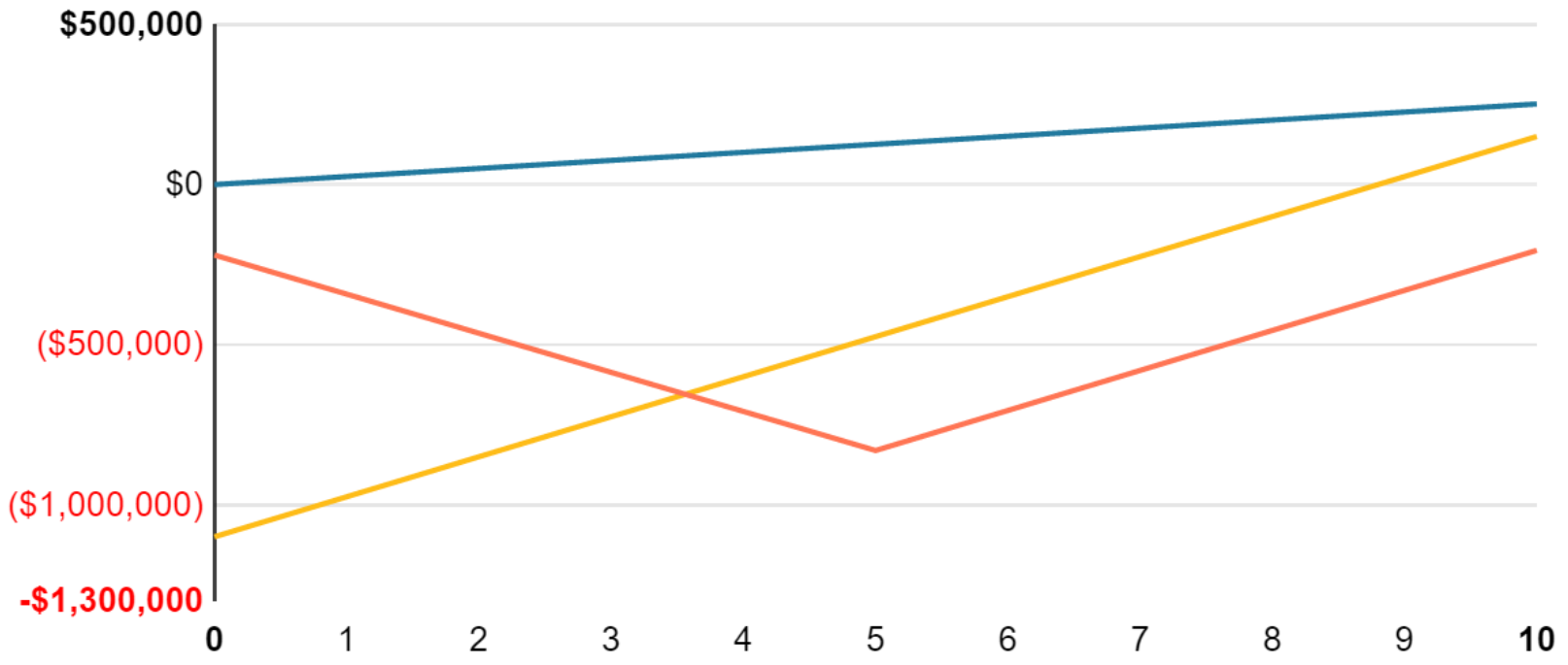
Summary of Results

	Self-Funded	Conventional Loan	PACE
Out-of-Pocket Investment	(\$1,100,000)	(\$220,000)	\$0
Average Annual Savings	\$125,000	\$125,000	\$125,000
Annual Payment	\$0	(\$197,672)	(\$99,832)
Cash Flow Impact Year 1	(\$975,000)	(\$342,090)	\$25,168
Net Project Cash Flow Year 2	(\$850,000)	(\$464,180)	\$50,336
Years to Positive Project Cashflow	8.8	11.64	IMMEDIATE
Debt Service Over Finance Term	\$0	(\$988,359)	(\$1,996,641)
10-Year Project NPV	(\$134,783)	(\$324,553)	\$194,340
20-Year NPV	\$457,776	\$268,007	\$313,648

Cash Flows

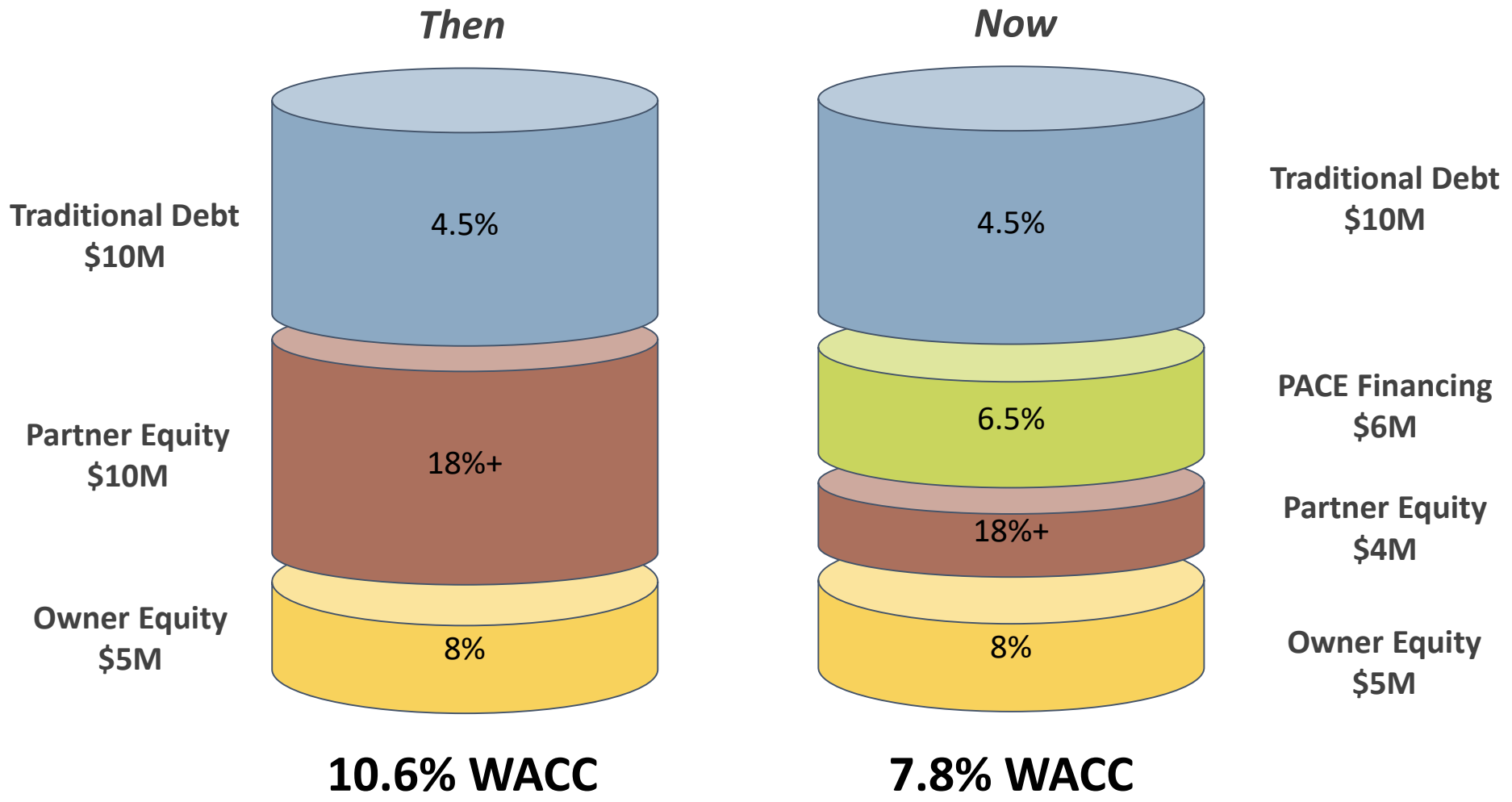
Cumulative Cash Flow

- Self-Funded Option
- Conventional Loan Option
- PACE Loan Option



CAPITAL STACK APPROACH: DEVELOPER

Example: \$25M conversion of industrial space to Class A office space



Simon Properties

PROJECT FINANCING

Total Assessment: \$3,000,000

Term: 10 years



IMPACT

- 3,119,892 kWh annual electricity savings
- 2,309,000 gallons annual water savings

IMPROVEMENTS

- HVAC
- LED lighting
- Water savings

WHERE IS PACE?

Live PACE Regions

- DFW: City of Dallas
- Central Texas: Travis, Hays & Williamson Counties
- South Texas: Nueces, Cameron, Hidalgo, & Willacy Counties
- SE Texas: Brazos & Fort Bend Counties, City of Houston
- West Texas: El Paso County

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**

PACE is a WIN-WIN-WIN

- **Property Owners** – lower utility bills, energy independence (CHP) energy efficiency, property value increase
- **Contractors** – source of increase in 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, renewables as source, improved air quality, better water conservation
- **Communities** – increased economic development and jobs, improved building infrastructure, more appealing building stock

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