



PACE

A new financing option
for industrial energy,
water and
environmental projects



Texas Industrial Energy Efficiency Network
April 15, 2021

PRESENTER

DUB TAYLOR – COO, TEXAS PACE AUTHORITY



Joined the Texas PACE Authority in February 2020, after 21 years as the director of the Texas State Energy Conservation Office (SECO)

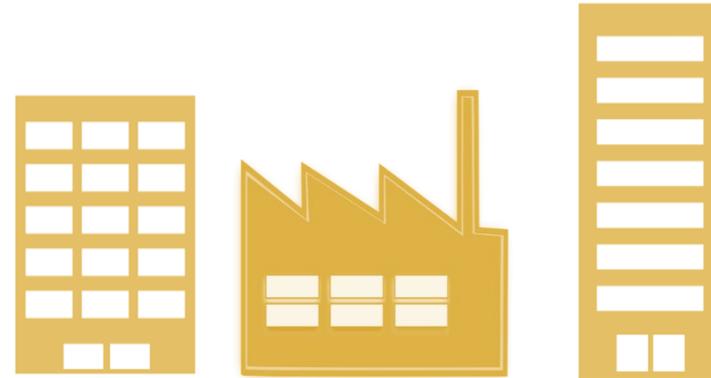
- Sponsors industrial energy/water forums
 - Industrial Energy Efficiency Program (UH Energy)
 - Texas Industries of the Future (UT Austin)
- Industrial Energy Technology Conference (Texas A&M)

Prior to public service, private sector experience was focused in commercial real estate, property appraisal and property tax consulting

Local Governments



Property Owners

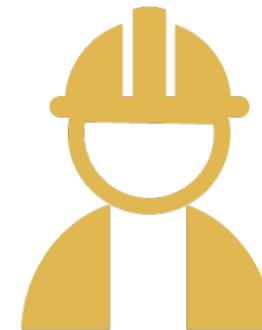


TEXAS ★ **PACE**
AUTHORITY

Native Texan 501(c)(3)



Capital Providers



Service Providers

WHAT IS PACE?

TEXAS **P**ROPERTY **A**SSESSED **C**LEAN **E**NERGY (FINANCING)

A simple way of paying for capital projects with no money out of pocket

What: **Long term, low cost 100% financing** for **energy efficiency, water conservation** and **distributed generation** projects

Where: Commercial (including non-profit), **industrial (manufacturing/agricultural)** and multi-family (5+units) properties

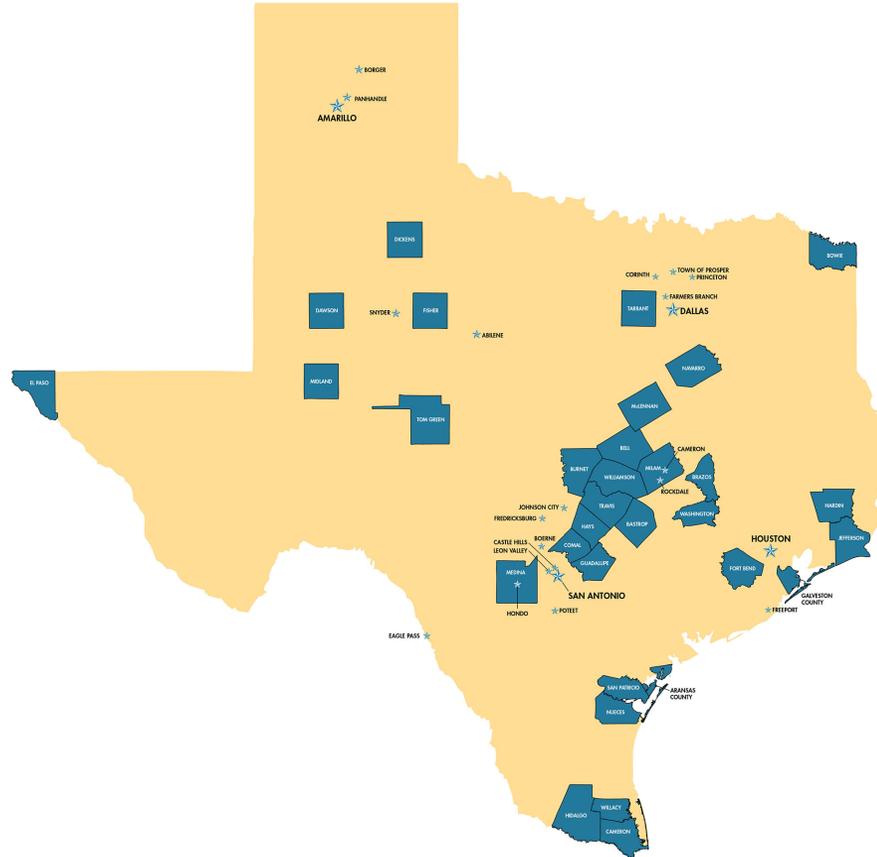
How: Repaid via special property assessment over the useful life of the improvements

- State Authorized
- Local Government Enabled
- Voluntary & Open Market

THE GROWING TX-PACE MARKET

COUNTIES

- Aransas County
- Bastrop County
- Bell County
- Bowie County
- Brazos County
- Burnet County
- Cameron County
- Comal County
- Dawson County
- Dickens County
- El Paso County
- Fisher County
- Fort Bend County
- Galveston County
- Guadalupe County
- Hardin County
- Hays County
- Hidalgo County
- Jefferson County
- Medina County
- McLennan County
- Midland County
- Milam County
- Navarro County
- Nueces County
- San Patricio County
- Tarrant County
- Tom Green County
- Travis County
- Washington County
- Willacy County
- Williamson County



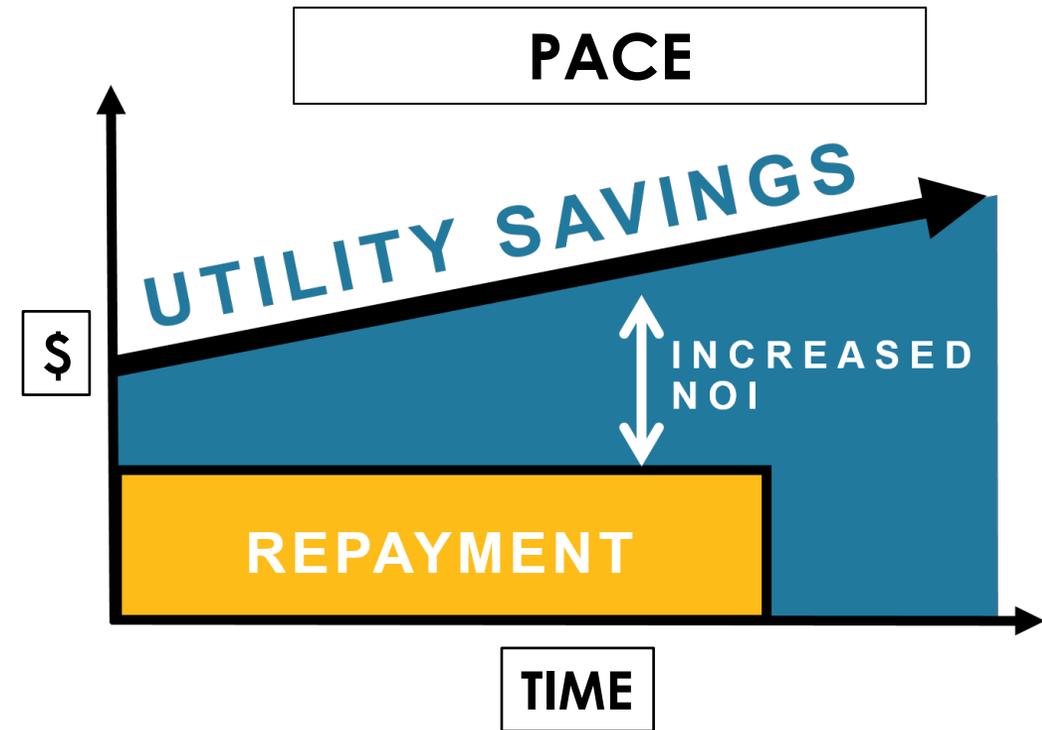
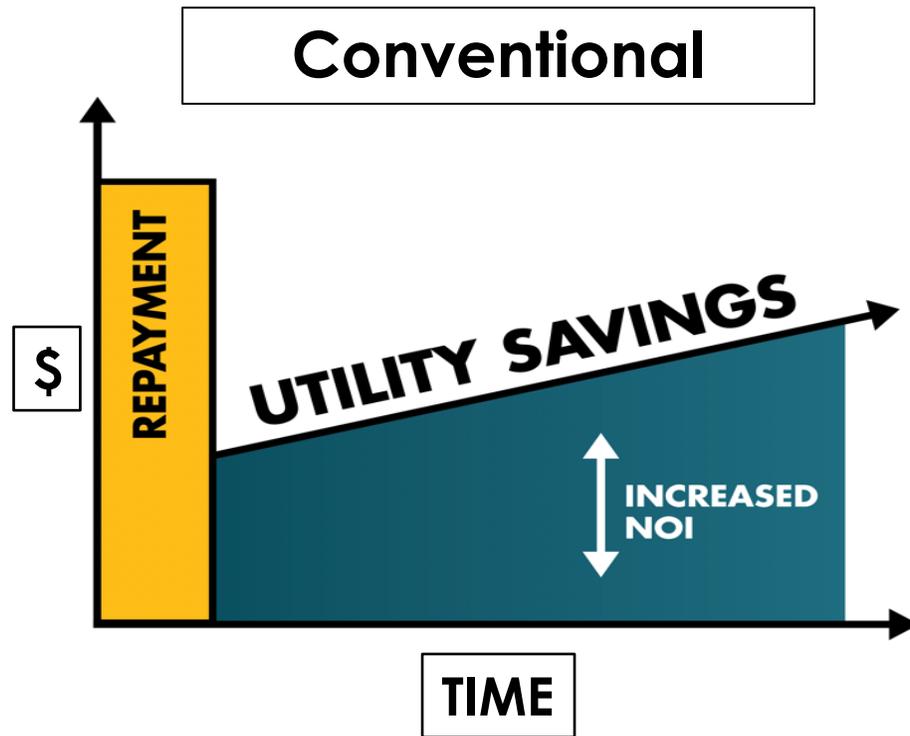
CITIES

- City of Abilene
- City of Amarillo
- City of Boerne
- City of Borger
- City of Cameron
- City of Castle Hills
- City of Corinth
- City of Dallas
- City of Eagle Pass
- City of Farmers Branch
- City of Fredericksburg
- City of Freeport
- City of Hondo
- City of Houston
- Jacinto City
- Johnson City
- City of Leon Valley
- City of Panhandle
- City of Poteet
- City of Princeton
- Town of Prosper
- City of Rockdale
- City of San Antonio
- City of Snyder

➤ 56 local PACE programs
➤ 60% of state population covered

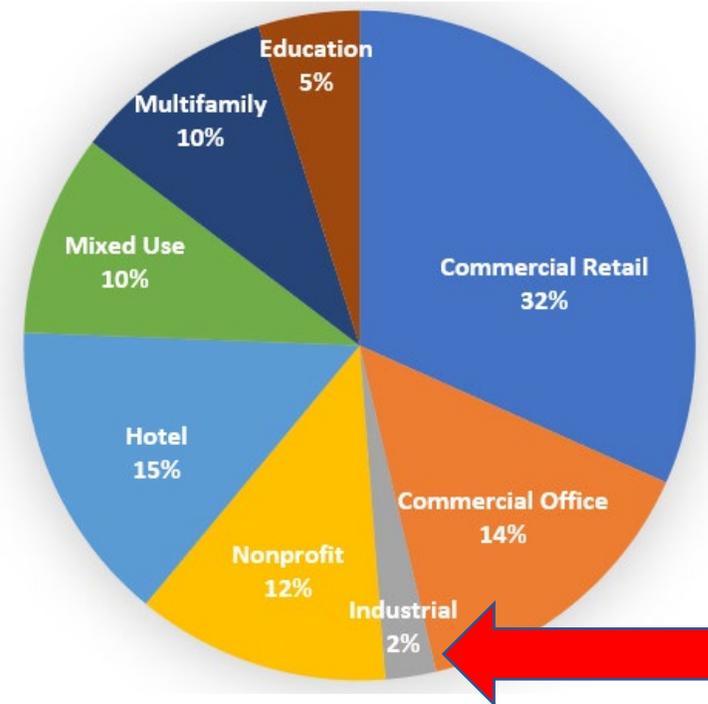
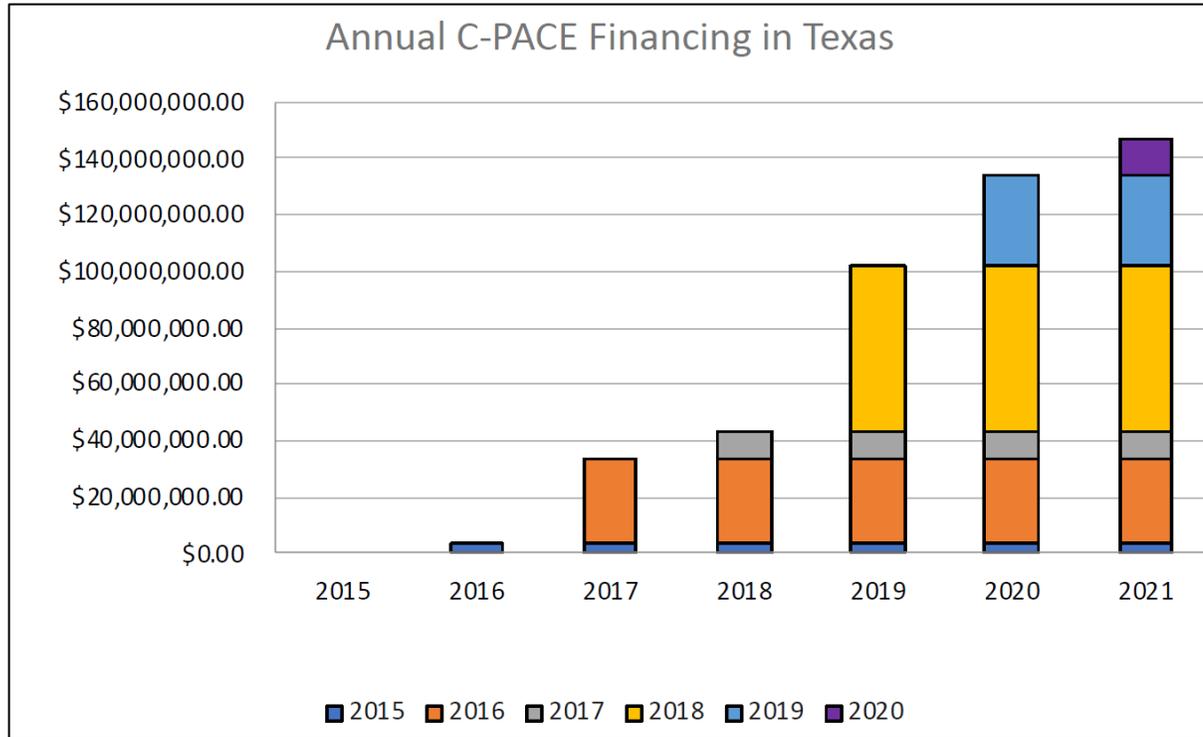
WHY TX-PACE?

- Improves assets – budget neutral/cashflow positive
 - Lowers utility usage/costs
 - Increases net operating income



TX-PACE BY THE NUMBERS

➤ \$146 million of investment to date



MEASURE TYPE

Energy Efficiency: 55% / Water Conservation: 33% / Distributed Gen: 12%

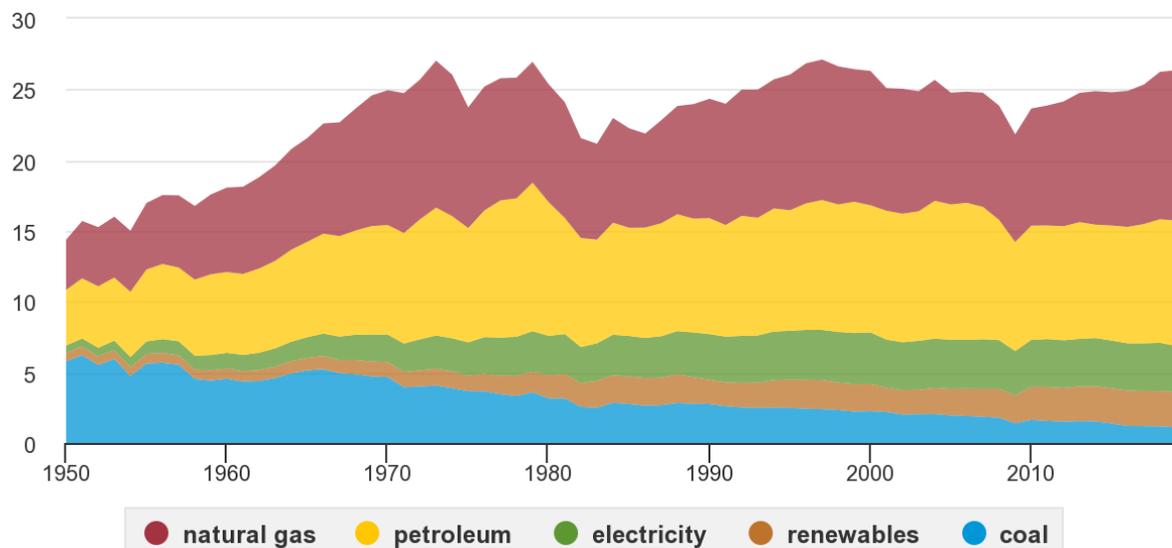
COMMON MISCONCEPTIONS - INDUSTRIAL

- PACE is for commercial properties only – hospitality, retail, office buildings, apartments
- PACE is for only smaller projects – HVAC, lighting, etc...
- PACE can only be used for equipment – not design, engineering, installation and commissioning
- PACE uses government funding with strings attached
- There's an upper limit on PACE financing
- PACE can't be combined with other funding sources
- I must use contactors and capital providers from a list
- PACE has deadline – can't sync with TAR, shutdowns

INDUSTRIAL ENERGY CONSUMPTION

U.S. industrial sector energy use by source, 1950-2019

quadrillion British thermal units

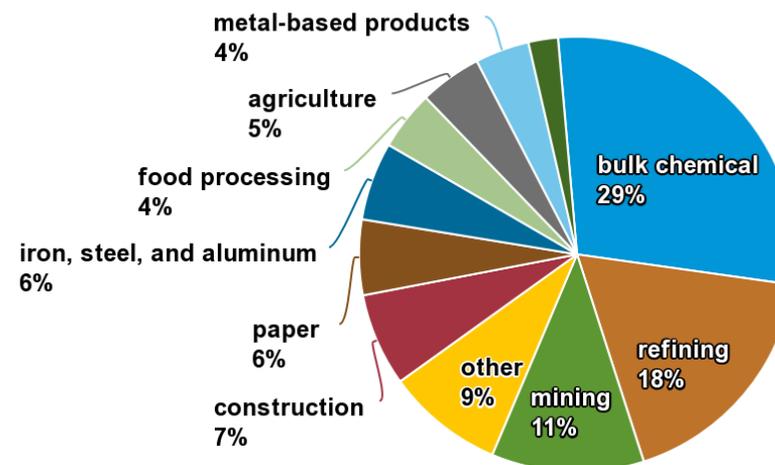


Note: Includes energy sources used as feedstocks in manufacturing products. Electricity is retail sales of electricity to the sector and excludes electric system energy losses associated with the retail sales.

Source: U.S. Energy Information Administration, *Monthly Energy Review*, Table 2.4, June 2020



U.S. industrial sector energy consumption by type of industry, 2019



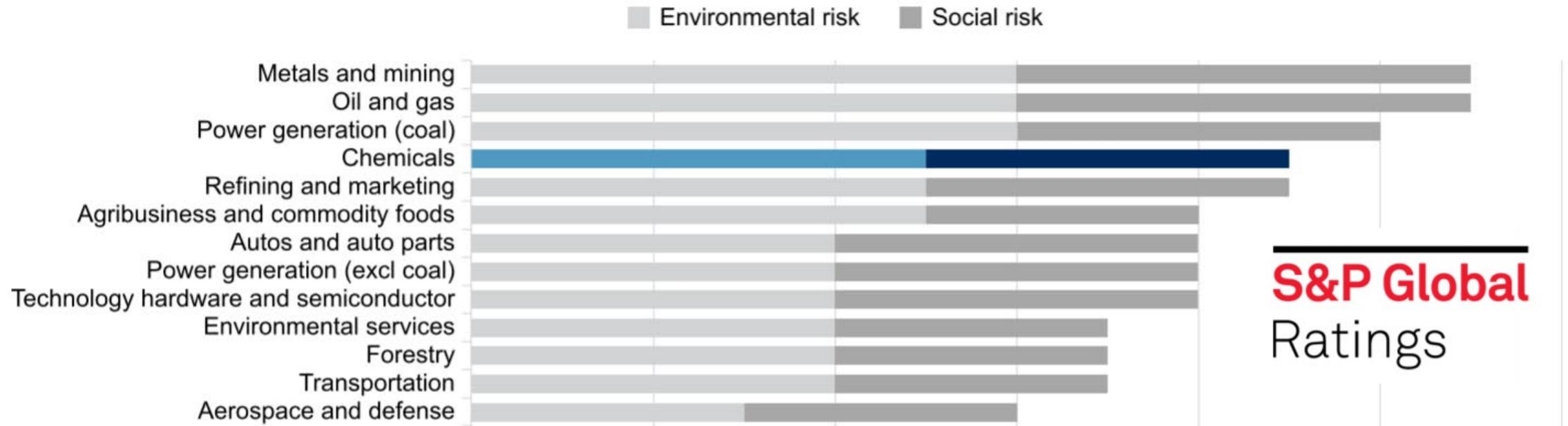
Note: Includes electricity purchases and energy sources used as feedstocks for making products. *Other* includes wood products (2%), plastics products (1%), and all others (6%).

Source: U.S. Energy Information Administration, *Annual Energy Outlook 2020*, Tables 24-34, January 2020



ESG – RISK MITIGATION

ESG Sector Risk Atlas



<https://www.spglobal.com/ratings/en/research/pdf-articles/190603-esg-industry-report-card-chemicals>

LOW AND STABLE POWER PRICES

Financial (cash flow) barriers have limited wide-scale adoption of energy efficiency and renewable energy measures

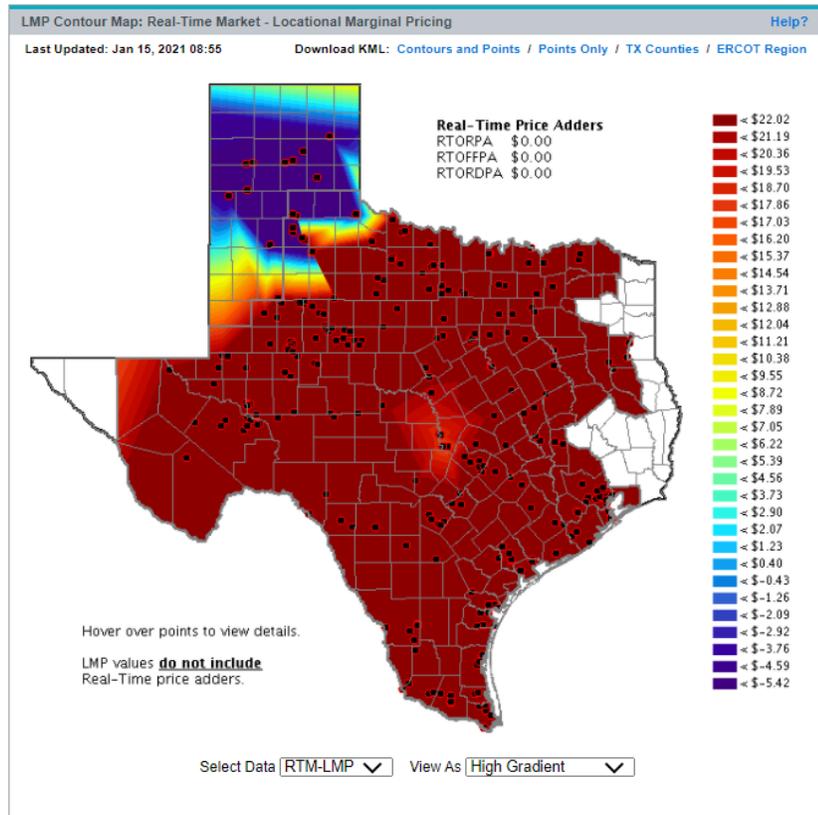
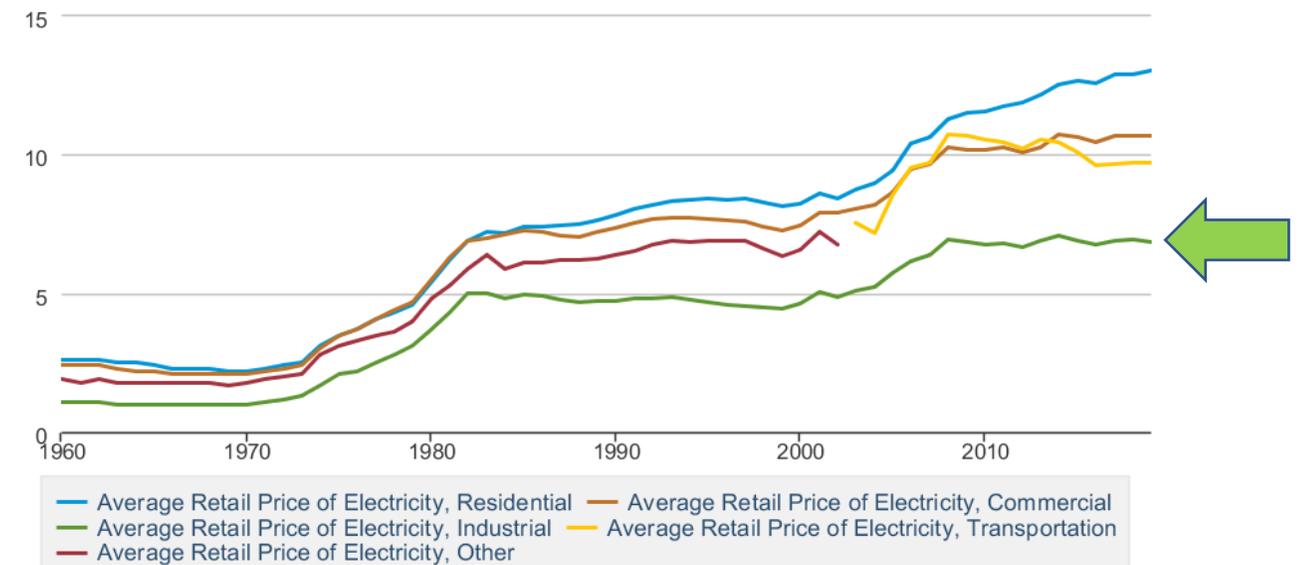


Table 9.8 Average Retail Prices of Electricity

Cents per Kilowatthour, Including Taxes



eia Source: U.S. Energy Information Administration

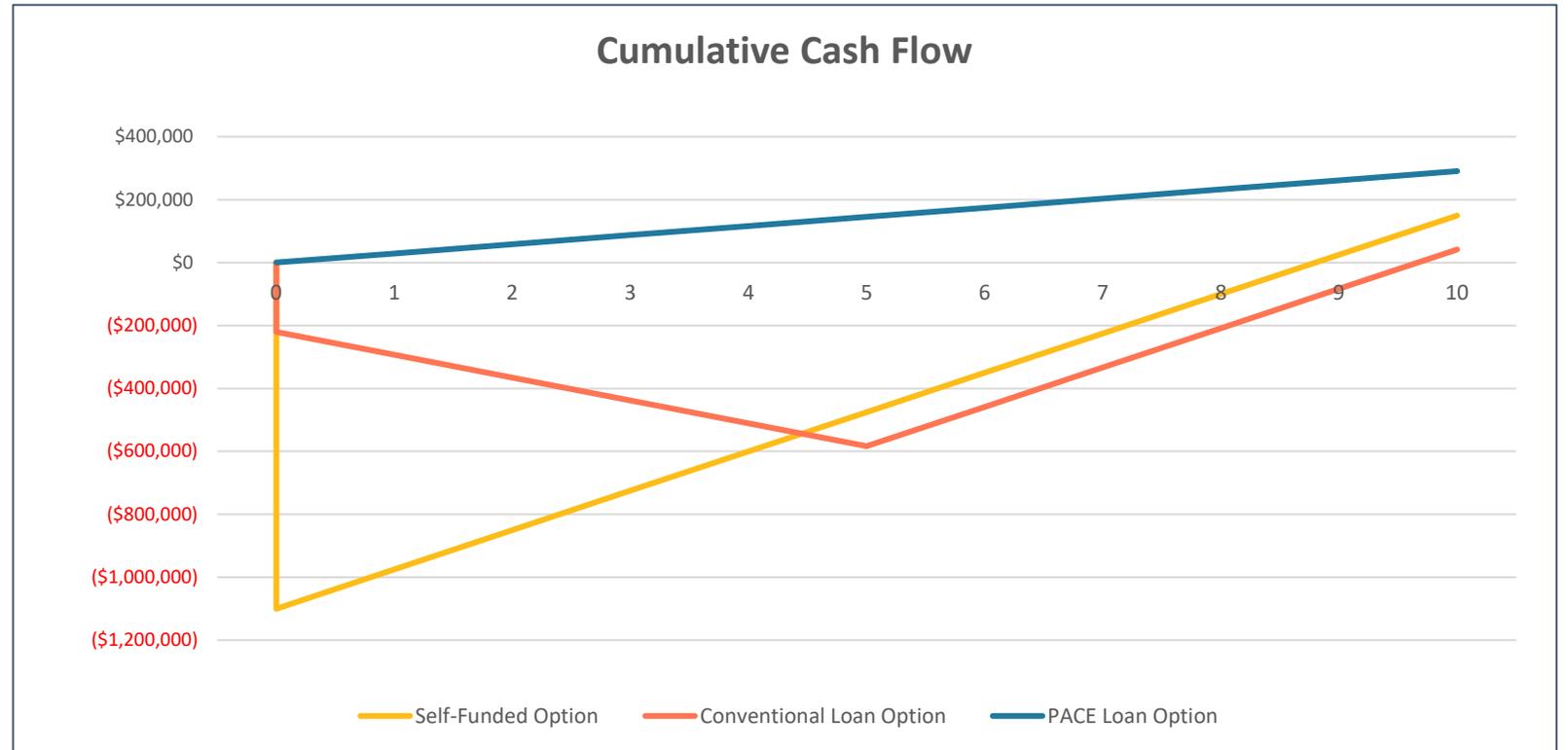
<http://www.ercot.com/content/cdr/contours/rtmLmp.html>

FINANCIAL IMPACT OF PACE

- Increases property value with no capital investment by owner
 - Generates positive cash flow immediately

Example
 Efficiency Upgrade: \$1.1M
 Savings: \$125K/yr

Project Cost	\$1,100,000
Term	20 Yrs @6%
Annual Pmt	(\$95,903)
Avg Annual Savings	\$125,000
NOI Impact	\$29,097
Value Impact (@7.5%)	\$296,629



<https://www.texaspaceauthority.org/pace-vs-traditional-financing/>

PACE - ELIGIBLE IMPROVEMENTS

Projects that reduce energy or water usage or generate energy onsite

Energy

- High efficiency chillers, boilers, and furnaces
- Combustion and burner upgrades
- Heat recovery and steam traps
- Compressed air systems
- Mechanical system modernization
- Energy management systems and controls
- High efficiency lighting upgrades
- Mechanical insulation
- Fuel switching
- High efficiency water heating systems

Water

- Water conservation systems
- Wastewater recovery and reuse systems
- Alternate, on-site sources of water (condensate, RO reject water, etc.)
- On-site improvements to accommodate reclaimed water use
- Water management systems and controls (indoor and outdoor)

Onsite

- Renewable/DG/CHP energy systems

PACE - ELIGIBLE SOFT COSTS

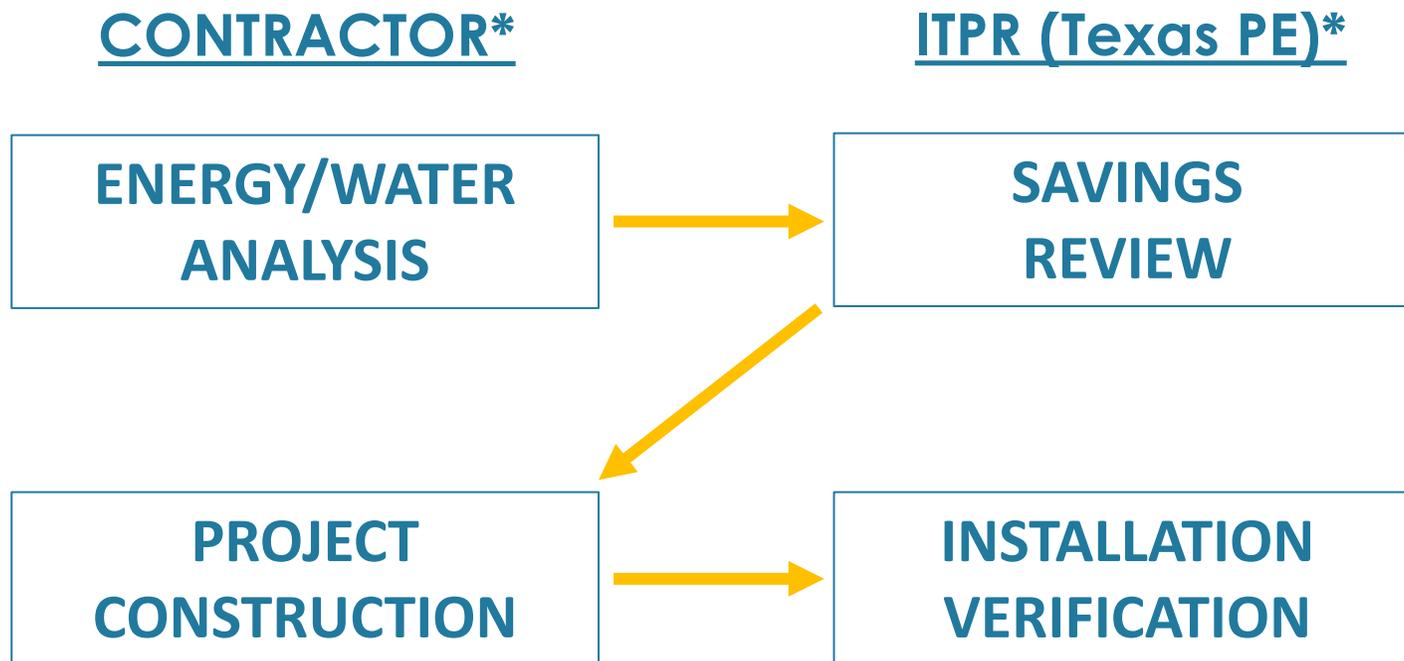
PROJECT

- Materials and labor necessary for the installation of a qualified improvement/equipment
- Changes to the existing property that are incidental to the installation
- Design, project development and engineering costs
- Permit fees & inspection fees
- Commissioning costs

FINANCING

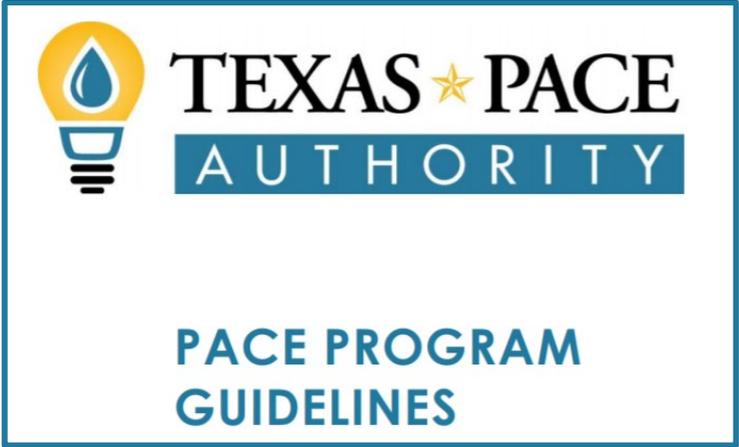
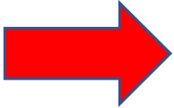
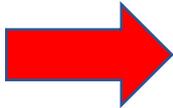
- Independent Third-Party Review fees, including verification fees
- Legal, consulting and other fees on an actual cost basis
- Lender's fees
- Program application and administrative fees
- Any other fees or costs that may be incurred by the property owner incidental to the installation, modification, or improvement

THE PACE PROCESS – PROJECTS



*Owner-selects Contractor and Independent Third Party Reviewer (ITPR)

COMMON STANDARDS STATEWIDE



PACE is a WIN-WIN-WIN (WIN-WIN)

- ✓ **Property Owners** – lower utility bills, energy independence, energy efficiency, property value increase, resiliency
- ✓ **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, enhanced grid reliability, distributed generation as resilient power source, improved air quality, water resource conservation
- ✓ **Communities** – increased economic development and jobs, improved building infrastructure, more appealing building stock and plants

QUESTIONS?

Dub Taylor, COO
Texas Pace Authority
dub@texaspaceauthority.org



www.TexasPACEAuthority.org