TEXAS PACE AUTHORITY

A New Financing Option for Commercial Property Owners in the City of Houston

Interested in upgrading your commercial property with energy/ water efficiency and renewable technologies but lack the needed capital? Do you feel uncomfortable taking out a traditional loan?

A new financing option is now available through the City of Houston PACE (Property Assessed Clean Energy) program, so you can take advantage of the energy and resource saving technologies today.

Pursuant to Chapter 399 of the Texas Local Government Code, the City of Houston has established the framework for PACE -- an innovative financing program enabling commercial, industrial, and multi-family property owners to obtain low-cost, long-term loans from private-sector lenders covering 100% of the cost of energy efficiency, water conservation, and renewable energy projects. Houston's PACE program is strictly voluntary on the part of property owners and does not require financial support of any sort by the City.

The City of Houston PACE program enables the utility savings provided to property owners by these building upgrades to be greater than the cost required to finance them. In most cases, this would mean an immediate positive cash flow for their businesses. If they decide to sell their property, the loan will be the responsibility of the new owner, so property owners can modernize their property without fear of over investment.

A convenient PACE loan assessment can include:

- Cost of materials and labor necessary for the installation of a qualified improvement
- Permit fees
- Inspection fees
- Lender fees
- Program application and administrative fees
- Project development and engineering fees
- Independent third party reviewer audit fees, including verification fees
- Any other fees or costs that may be incurred by the property owner incidental to the installation, modification or improvement
- Legal, consulting and other fees on an actual cost basis
- Changes to the existing property incidental to the installation

COMMERCIAL PROPERTY OWNERS: Ready to get started with PACE?

Steps a property owner would go through to complete a PACE project from start to finish.

1. Decide what energy efficiency, water conservation and renewable energy measures would be best for the property. Generally, a PACE project must reduce an owner's energy and water consumption or generate distributed energy.
2. Find a contractor to help the owner with the design and installation of the project.
3. Find a qualified lender or capital provider to finance the PACE loan. Program administrators can help owners find a private capital provider.
4. Obtain existing mortgagee consent. If the property has a mortgage, the owner will need to get existing mortgagee consent before a PACE assessment can be applied.
5. Undergo a technical analysis as part of a PACE application, following the PACE in a Box Technical Standards Manual.
6. Find an independent third party reviewer to conduct an audit of the energy savings projections and of the finished project.
7. Close on the loan. Note that PACE requires a legal contract between the property owner and the city and between the lender and the city. At closing, a PACE assessment lien will be filed on the property.

Contractors, Equipment Providers and Lenders Also Reap PACE Benefits

Commercial property owners are not the only ones who can benefit from PACE financing. The program also offers new growth opportunities to contractors and equipment providers specializing in energy/water efficiency and renewable equipment, as well as lenders and capital providers.

PACE financing is affordable and flexible, making it easier for contractors to entice new customers and secure more projects. From this, equipment providers will receive more and larger orders from the contractors to fulfill their projects.

Lenders will find a PACE loan to be a sound, secure financial investment. Similar to a property tax lien, a PACE loan has priority over other liens on a commercial property. In case of a default, the loan portion in arrears has priority over other debts, so the risk of loss due to non-payment is low compared to most other types of loans. Lenders can also differentiate themselves in the competitive commercial loan marketplace with the PACE program's innovative structure and terms to help owners take care of property maintenance issues sooner rather than later.

To learn more about how a City of Houston PACE program can benefit commercial property owners, contractors, energy/water efficiency equipment providers, or lenders, visit http://www.texaspaceauthority.org/ today!

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