



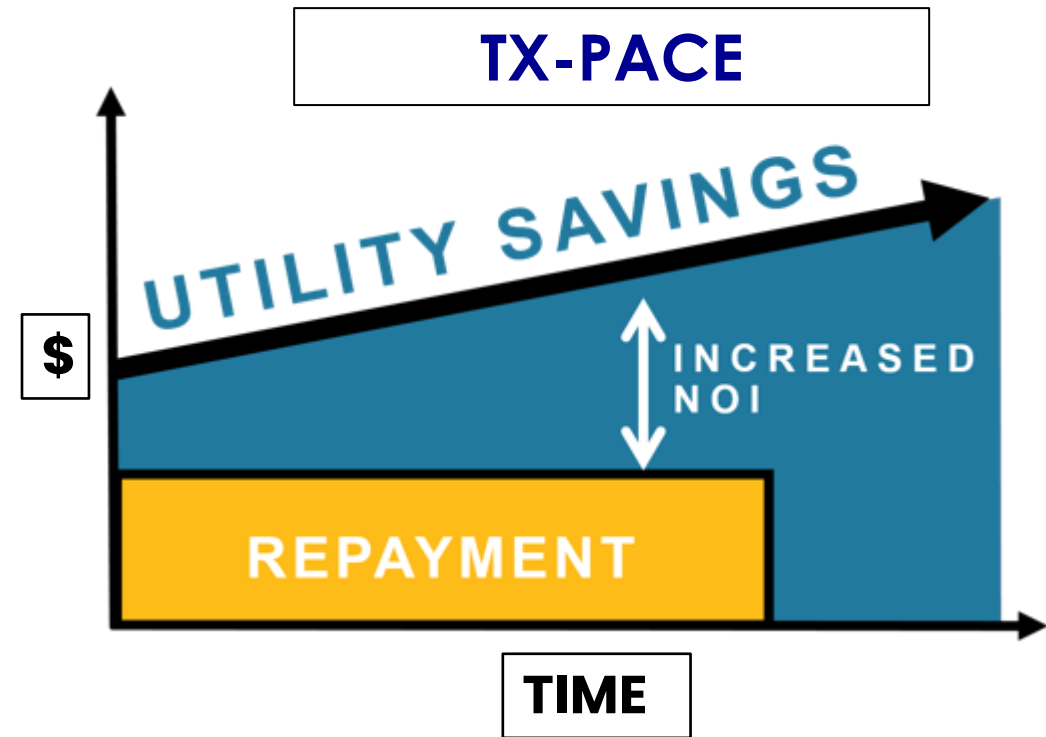
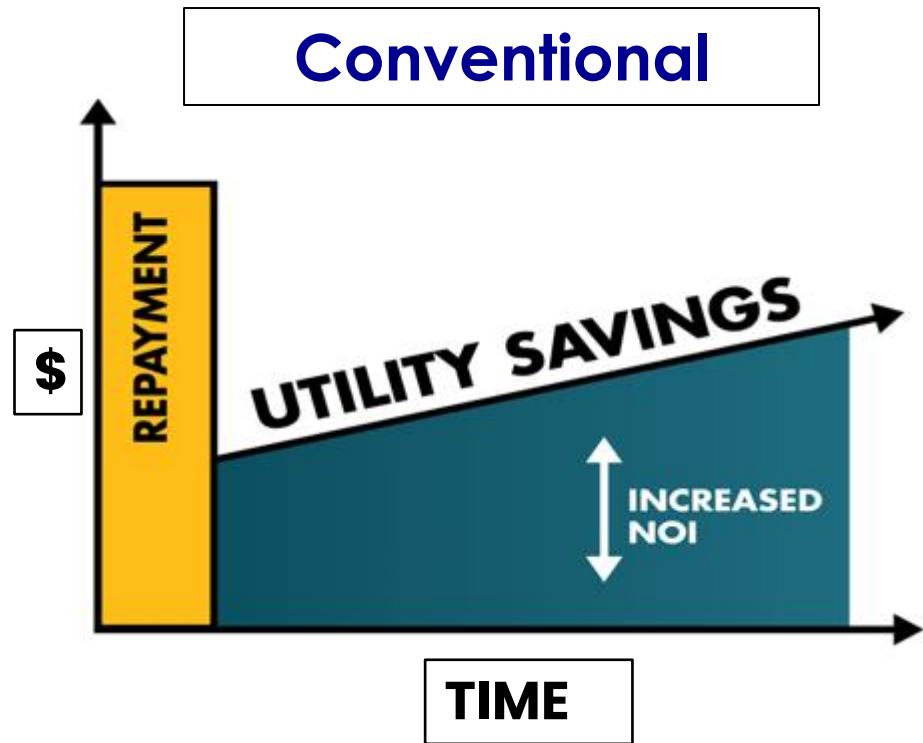
Overview of the Houston PACE Program Administered by Texas PACE Authority

for

Houston's Resilience Committee

August 25, 2025

THE PROBLEM OF DEFERRED MAINTENANCE AND THE PACE SOLUTION



1225 NORTH LOOP WEST

Houston

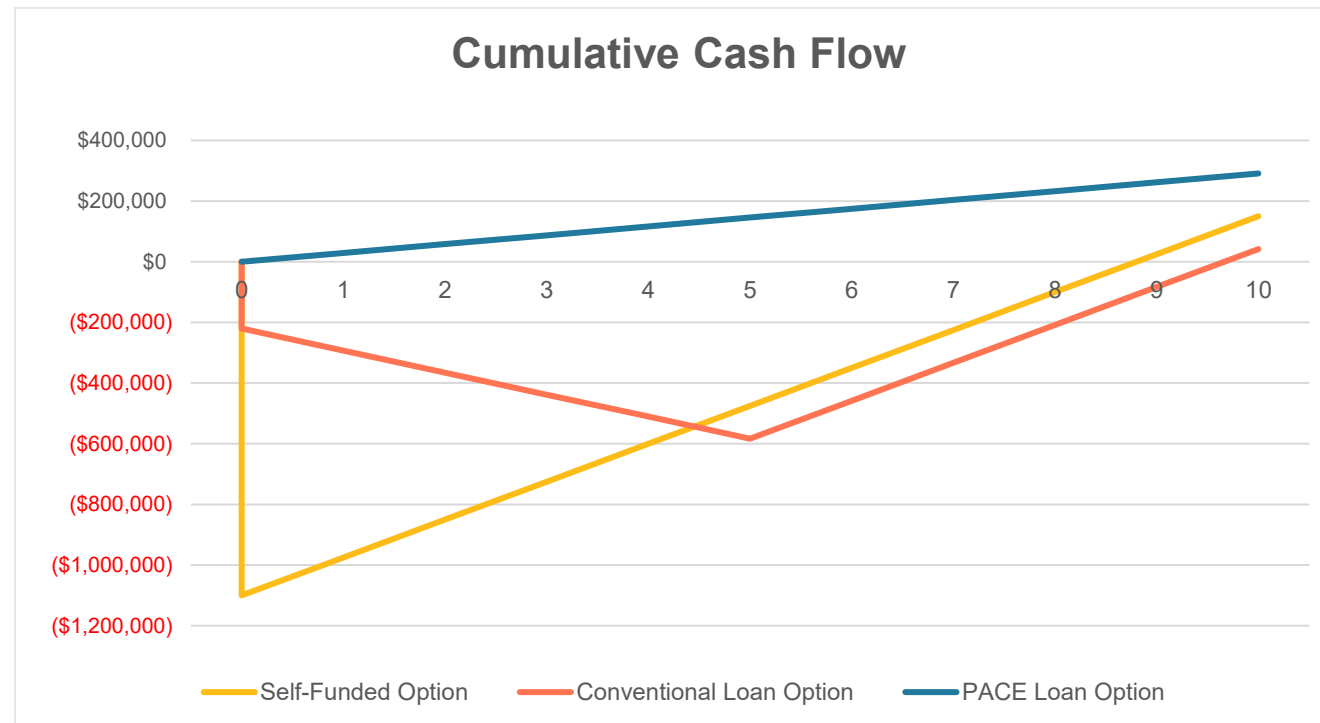
Assessment Total:
\$1,304,352

Measures:

- HVAC
- BAS
- LED lighting

Utility Incentives:
\$30,000

Utility Savings:
38% Annually

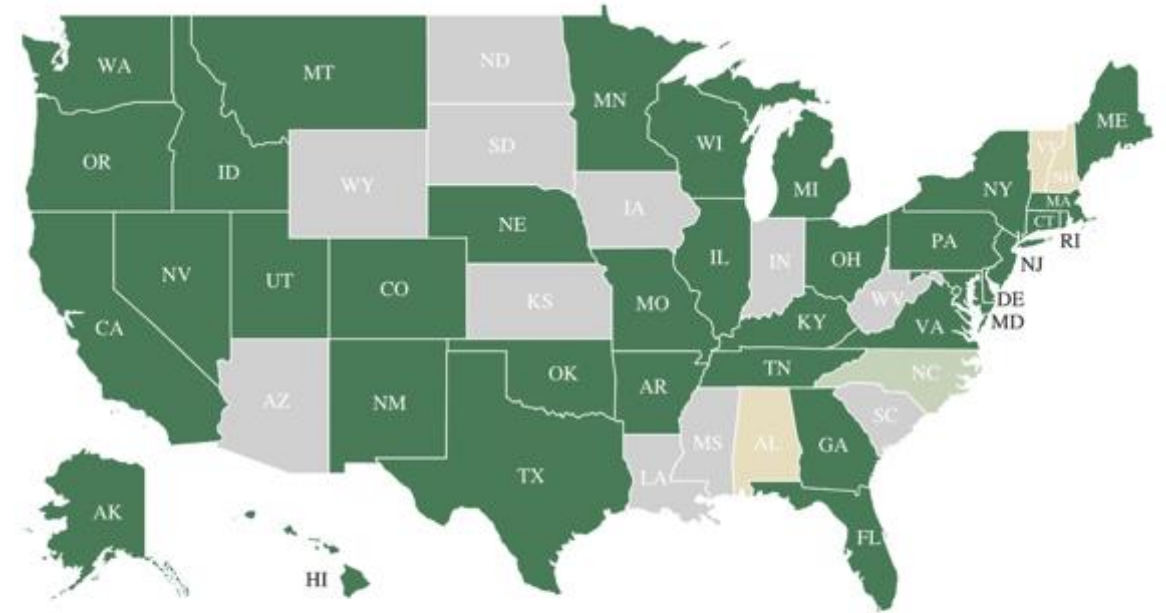


History of Texas PACE Financing

The Texas Property Assessed Clean Energy (TX-PACE) program was approved by the State legislature through the Texas PACE Act in 2013, and amended in 2015 and 2017.

- Can be found at Chapter 399 of the Texas Local Government Code.
- Authorizes local governments (counties and cities) to adopt program through a two-step process.

Nationally, PACE financing programs can be found in 32 states and DC.



Map key



Graphic from PACENation.org

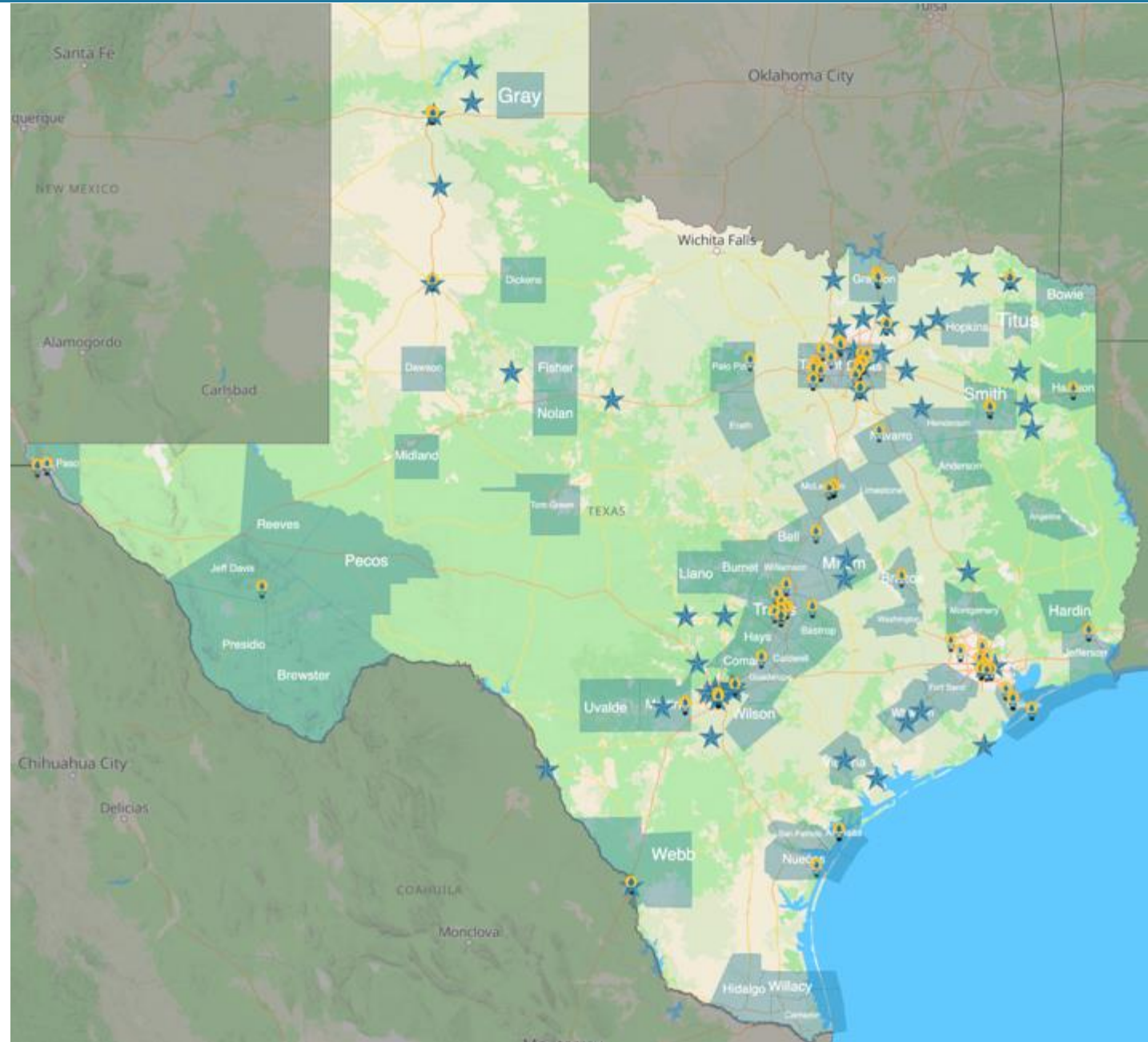


THE GROWING TEXAS PACE MARKET

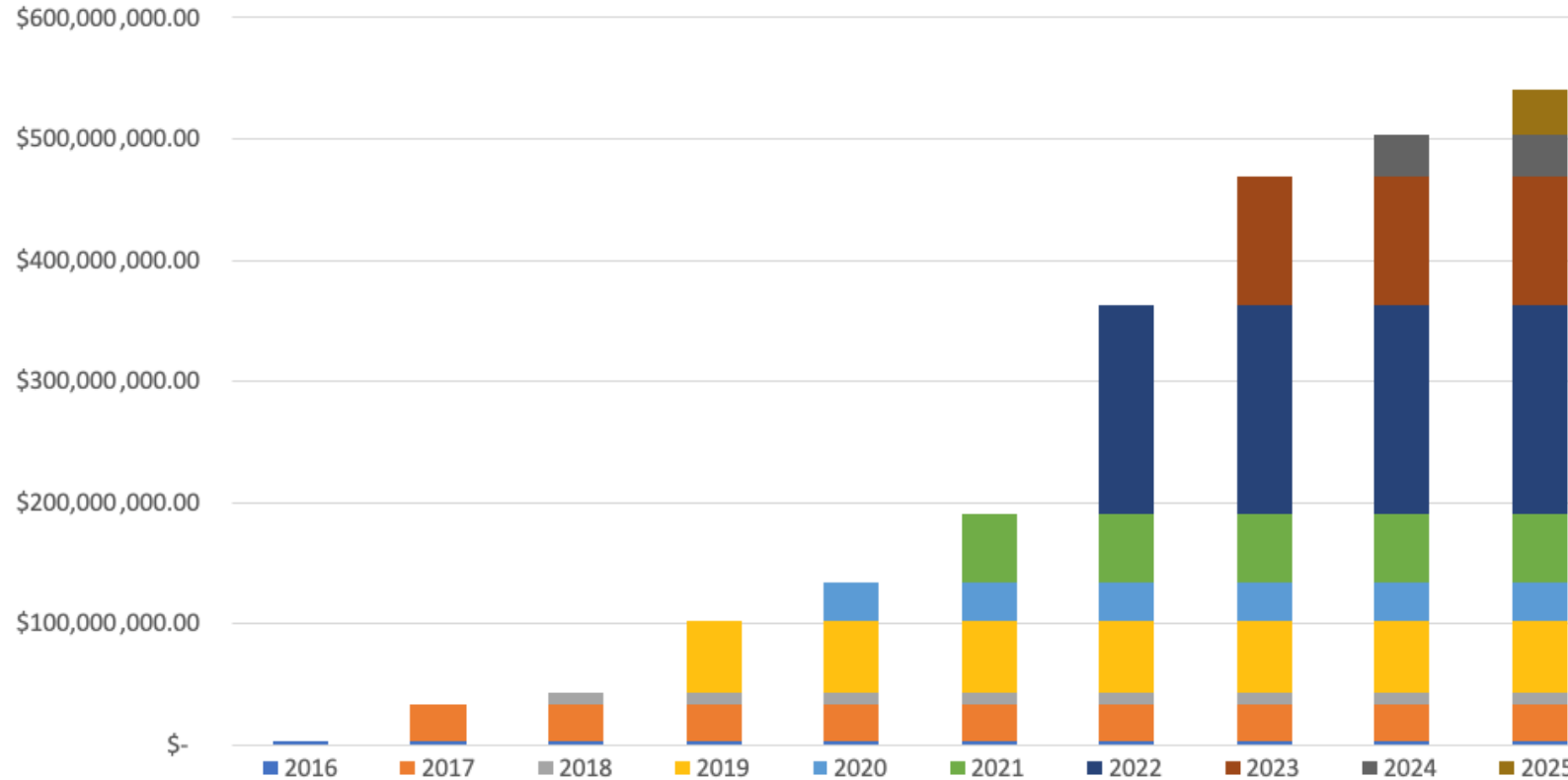
109 local PACE programs
50 Cities
59 Counties

75% of Texas' population
covered

<https://www.texaspaceauthority.org/service-areas/>



TEXAS PACE BY THE NUMBERS



109

PACE Programs
Established in Texas



96

Projects
Completed



\$ 540,546,518

Dollars
Invested



6,845

Jobs
Created



47,644

CO2 Reduced
(tonnes/yr)



84,334,699

Energy Saved
(kWh/yr)



84,262

Natural Gas Saved
(mmBTU/yr)



134,809,870

Water Saved
(Gal/yr)

History of Houston's PACE Program

Houston City Council adopted PACE in 2015.

- Ordinance No. 2015-1040 (Nov. 4, 2015)
 - Notice of Intent to adopt program and publication of drafts
 - Public hearing
 - This ordinance then adopted Houston PACE Program
- Ordinance No. 2017-106 (Feb. 12, 2017)
 - Updated forms
 - Delegated future updates to ARA Director
- Sept. 6, 2024 administration transferred to Mayor's Office of Recovery and Resiliency
- No government personnel or budget resources/taxpayer dollars are required to implement and operate a Texas PACE program.
- Houston PACE covers extra-territorial jurisdiction (ETJ).

City of Houston selected Texas PACE Authority to administer its program.

- Ordinance No. 2015-1040 (Nov. 4, 2015) hired TPA, expired July 2021
 - Request for Qualifications (Nov. 20, 2020), TPA only respondent
 - Ordinance No. 2021-1093 (Dec. 14, 2020) new TPA contract
- Nonprofit that operates as an extension of City staff.
Currently administers 109 PACE programs statewide.



A SOLUTION...

PACE = **P**ROPERTY **A**SSESSED **C**LEAN **E**NERGY

Innovative financing tool that provides long term, low cost, 100% funding for

- Energy efficiency,
- Water conservation,
- Distributed generation projects

Eligible Property

- Commercial (including non-profit)
- Multi-family (5+ units)
- Industrial (manufacturing/agricultural)
- Special use (Storage, Data Center, Manufacturing)



TX-PACE-Eligible Improvements

Projects that reduce energy or water usage or generate power onsite

Energy

- High efficiency HVAC (AC/chillers, boilers, furnaces, air handlers)
- High efficiency lighting upgrades
- Energy management systems and controls
- Building envelope improvements
- Renewable/DG energy systems
- Mechanical system modernization
- Air cooled systems to water or geothermal cooled systems
- Fuel switching
- Combustion and burner upgrades
- Heat recovery and steam traps

Water

- High efficiency water heating systems
- Water conservation systems
- Wastewater recovery and reuse systems
- Alternate, on-site sources of water (A/C condensate, rainwater, RO reject water, foundation drain water, etc.)
- On-site improvements to accommodate reclaimed water use
- Water management systems and controls (indoor and outdoor)
- High efficiency irrigation equipment

What is Texas PACE Financing

Water and Energy Conservation:

It is a City of Houston Program that incentivizes commercial property owners with private lenders to conserve water and energy by enabling affordable funding for high efficiency equipment, building components, and systems.

Real Estate Reduced Financing Costs, Reduced Operating Expenses, and Increased Cash Flow:

It provides a lower cost capital stack to owners and developers, 100% loan to value loans on PACE eligible items, competitive interest rates, longer payback periods, reduced operating expenses, and the loans are non-recourse.

Economic Development:

It enables property owners to bring older buildings back to being competitive and sustainable and new buildings to make the numbers work, all which attracts jobs which create demand for amenities and services in the immediate area. It also increases the value of older, less desirable buildings on the property tax rolls.



Municipalities
Counties



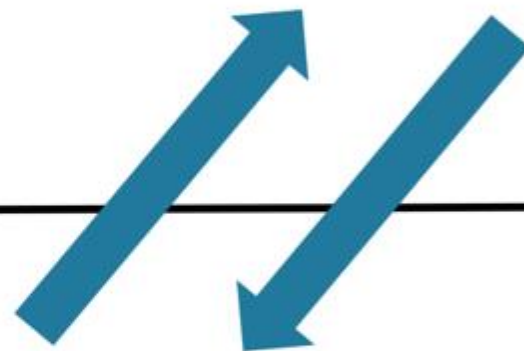
TEXAS  PACE
AUTHORITY

501(c)(3)



Governmental

Private



Capital Providers



Property Owners



Service Providers

PACE Act: Gov't Assessment Financing

- An **assessment** under this chapter may be imposed to repay the financing of qualified projects on real property located in a region designated under this chapter. LGC §399.004(a)
- “the Legislature intended to treat the [special] assessment, at least with respect to lien priority status, enforcement, and delinquencies including the recovery of costs and expenses, in a manner similar to real property taxes.” –Texas Attorney General Opinion No. KP-0210 (Aug. 13, 2018)



PACE-OPERATING + DISPOSITION

Chapter 399 of the Local Government Code

Government assessment (obligation on the property in exchange for a benefit) placed, held, and enforced by a City or County

- Nonrecourse
- Nonaccelerating
- Survives forfeiture
- Same status as a tax lien
- Require written consent of a senior lender

Operation + Disposition

Operation:

- ✓ Assessment may be passed through to tenants on a NNN or Modified Gross lease
- ✓ Assessment installments are paid directly to the PACE lender 1 – 1-2x per year

Disposition:

- ✓ Assessment is automatically passed on to new ownership in the event of ownership change
- ✓ Can prepay at any time – prepayment penalties are negotiated with the PACE lender

Who Pays for the PACE Program:

Texas PACE Financing is a user-paid funding option. No taxpayer funds are used. The City does not incur any personnel or budget resources on the program.

What role does Texas PACE Authority (TPA) play:

TPA has a professional services agreement with the City to be the Program Administrator of the City's PACE program. TPA fees are paid by borrowers of PACE loans.

TPA promotes, educates, markets, and does lead generation and business development for the program; they also provide advice to interested parties and assist them with contacting PACE Lenders, Service Providers, and Consultants proficient in Texas PACE Financing.

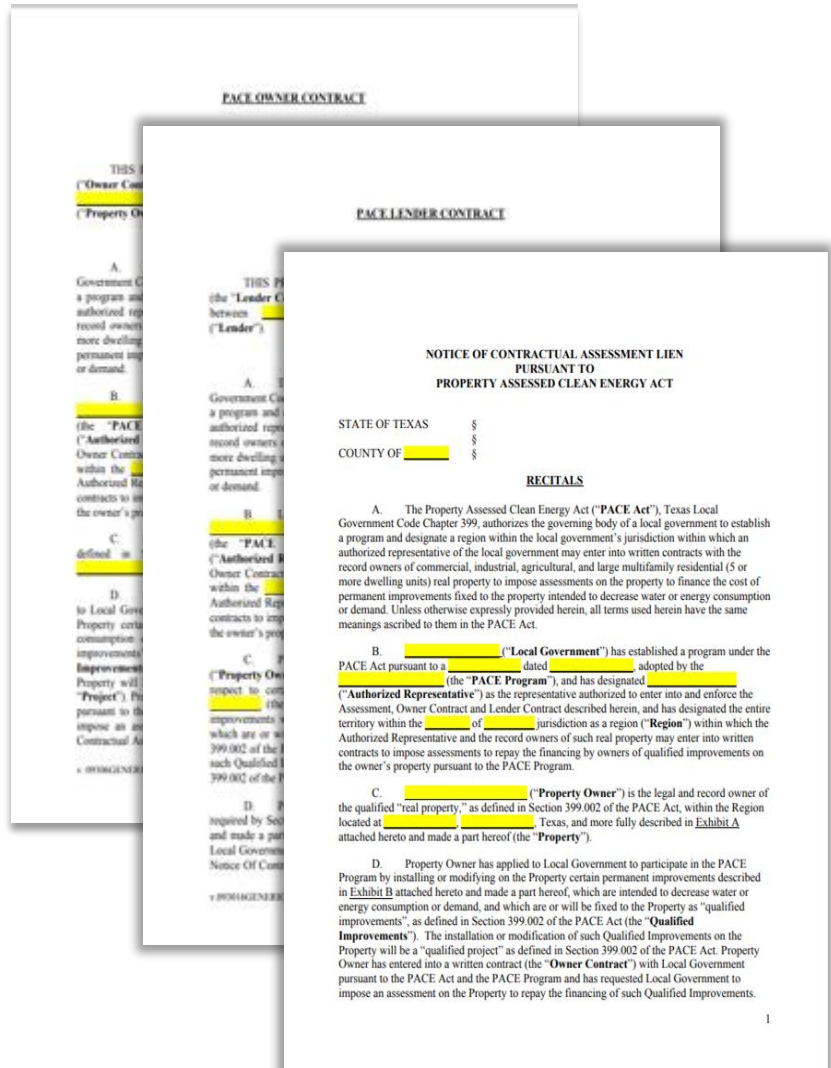
TPA also manages and provides quality control over the application and documentation process through loan closing and continues to monitor compliance until the loan is paid.

Underlying Finance Documents

Document Title	Parties	Date Executed
Financing Agreement	Property Owner and Lender	[____], 2021
Promissory Note	Property Owner	[____], 2021
Disbursement Agreement	Property Owner and Lender	[____], 2021
Unlimited Guaranty	Guarantor and Lender	[____], 2021

PACE Act: Contracts & Notice

- Owner Contract: between Property Owner and Local Government
 - LGC §399.005 and §§399.006(b)&(d)
 - Approved form LGC §399.009(a)(2)
- Lender Contract: between PACE Lender and Local Government
 - LGC §399.006(c)
 - Approved form LGC §399.009(a)(3)
- Notice of Contractual Assessment: executed and recorded by Local Government
 - LGC §399.013



PACE Underwriting Criteria

Savings to Investment Ratio (SIR)

$SIR \geq 1$ required

Utility/Operating Savings >50% --- Financial Savings < 50%

Verified by Independent Third Party (Texas Licensed PE)

Loan to Value (LTV)

PACE financing can be up to 25% of CAD-assessed property value
or Up to 35% of Appraised Value

Loan Term

\leq to weighted useful life of PACE-financed measures

Mortgage Holder Consent

Senior lender must consent to PACE assessment (if applicable)

Uses of Texas PACE Financing

Retrofit/Repurposing

New MEP systems, building envelope upgrades, water conservation, onsite generation, energy storage

New Construction/Gut rehabilitation

Above code, higher performance systems

Refinancing

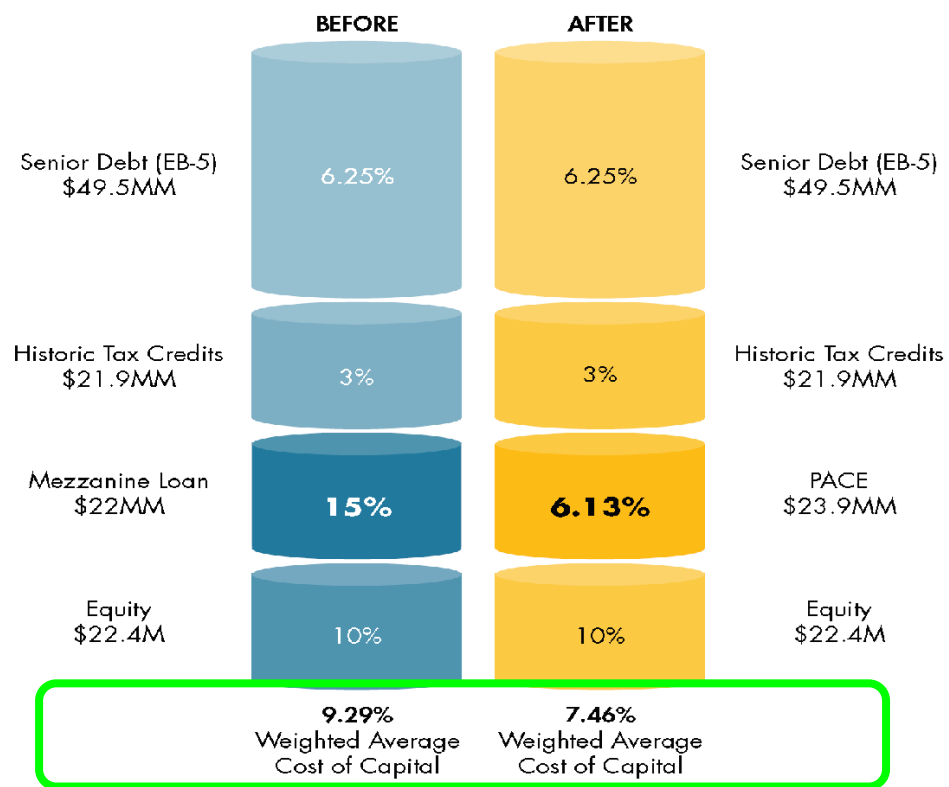
Within 24 months of last PACE eligible improvement

- Pay for today's upgrades with tomorrow's savings
- Improves assets - budget neutral/cash flow positive
- Lowers utility usage/costs - increases net operating income

BUTLER BROTHERS BUILDING

HVAC • Lighting • Insulation • Roofing
 Glazing Plumbing • Irrigation • Envelope
 Assessment: \$24M

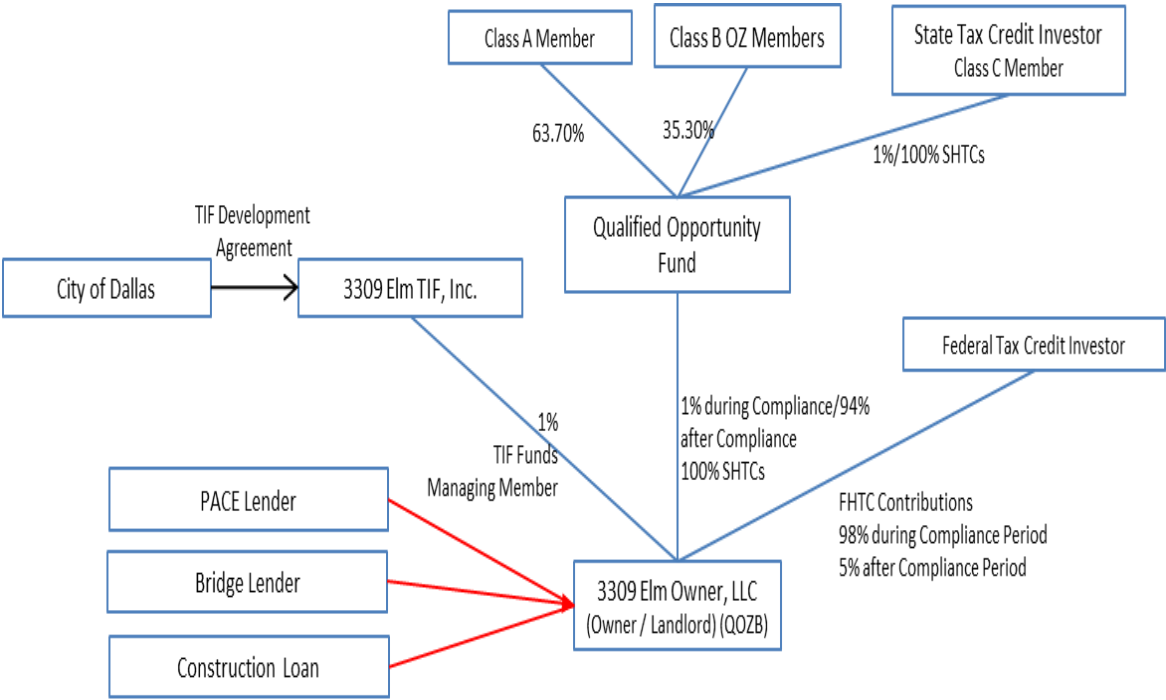
RESIDENTIAL & MIXED USE



CONTINENTAL GIN BUILDING

Mixed Use – office & retail

Roofing • Glass/Glazing • Ext. Walls
Mechanical/HVAC • Lighting Solar • Elevators
• Assessment: \$5M



Continental Gin Sources and Uses

Source

Sponsor Equity	\$	7,000,000	18.79%
Federal Investor Equity	\$	4,056,282	10.89%
State Investor Equity	\$	5,236,925	14.06%
3309 Elm TIF, Inc. (TIF Contributions)*	\$	1,000	0.00%
PACE Lender	\$	5,250,000	14.10%
Frontier State Bank	\$	12,500,000	33.56%
3309 Elm Developer, LLC (Sponsor DDF Loan)	\$	3,200,000	8.59%
Subtotal	\$	37,244,207	

Use

Acquisition	\$	3,307,462
Soft Costs	\$	5,554,086
Hard Costs	\$	24,182,659
Deferred Developer Fee	\$	3,200,000
Operating & Debt Reserve	\$	1,000,000
Subtotal	\$	37,244,207

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

City of Houston by the Numbers

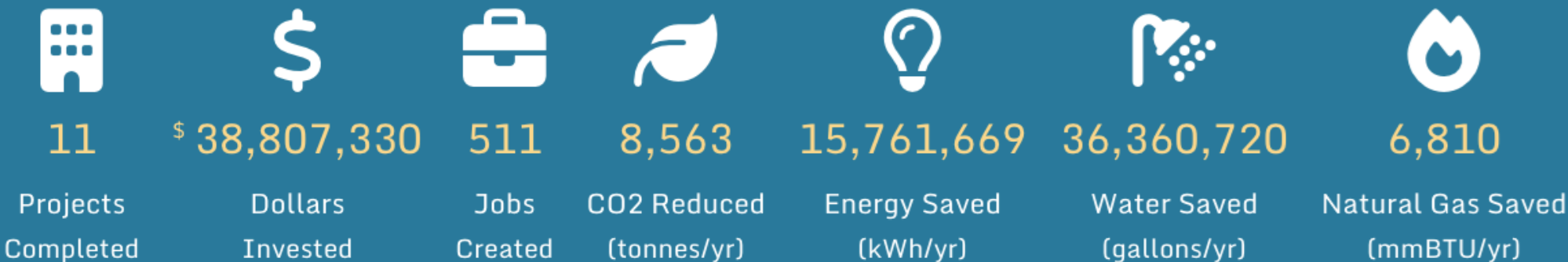


Chart located on TPA City of Houston Webpage

<https://www.texaspaceauthority.org/home/service-areas/city-of-houston/>

Photo	Project Nickname	PACE Program	Property City	Assessment Amount	Capital Provider	Property Type	Project Measures
	702 LLC, 2025	Houston, City of	Houston	\$4,000,000	Imperial Ridge Real Estate Capital	Multifamily	Lighting, Renewables/Distributed Generation, HVAC, Water Efficiency, Building Envelope
	Houston Area Urban League, 2023	Houston, City of	Houston	\$738,952	Nuveen Green Capital	Office (Nonprofit)	HVAC, Lighting, Envelope, Plumbing and Water Conservation, Window film
	First UU Church, 2022	Houston, City of	Houston	\$488,120	Nuveen Green Capital	Religious (Nonprofit)	Envelope, Lighting, HVAC, Solar

Photo	Project Nickname	PACE Program	Property City	Assessment Amount	Capital Provider	Property Type	Project Measures
	Stonecreek at Copperfield, 2020	Houston, City of	Houston	\$2,800,000	Counterpointe SRE	Multifamily (Senior)	HVAC, Lighting, Envelope, Domestic Water Heating
	Westin Houston Medical Center II, 2020	Houston, City of	Houston	\$2,975,599	Petros PACE Finance Titling Trust	Hospitality, Retail	HVAC, LED, Envelope, Elevators, Plumbing
	World Gym, 2020	Houston, City of	Houston	\$1,000,000	Nuveen Green Capital	Services	HVAC, LED, Envelope, Plumbing
	HBDi, 2020	Houston, City of	Houston	\$1,264,071	Nuveen Green Capital	Office (Nonprofit)	HVAC, LED, Envelope, Plumbing, Water Conservation Measures, Solar PV

Photo	Project Nickname	PACE Program	Property City	Assessment Amount	Capital Provider	Property Type	Project Measures
	Westin Houston Medical Center I, 2019	Houston, City of	Houston	\$21,763,788	Petros PACE Finance	Hospitality, Retail	HVAC, LED, Envelope, Elevators, Plumbing, Water Conservation Measures
	Regency Inn, 2017	Houston, City of	Houston	\$135,195	Nuveen Green Capital	Hospitality	Solar PV
	1225 North Loop West Building, 2017	Houston, City of	Houston	\$1,304,352	Petros PACE Finance	Office	HVAC, LED, Controls
	Houston Premium Outlets, 2017	Houston, City of	Cypress	\$2,185,038	Petros PACE Finance	Retail	HVAC, LED, Smart Glass, Awnings, Plumbing, Water Conservation Measures

Collaboration: Greatest Challenge: Education

- TPA already conducts in-person and remote workshops, attends community meetings, and engages in extensive outreach
- Working on link from City's www.GreenHouston.gov website, which is still under construction
- TPA Welcomes opportunities to work with this Committee and other committees and departments to reach owners and developers of commercial, industrial, and multifamily properties.

14 - Everyone Wins with PACE

- ✓ **Property Owners** – lower utility bills, energy efficiency, property value increase from higher net operating income/capitalized value, advantageous financing and improved cash flow, more competitive properties.
- ✓ **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.
- ✓ **City of Houston** – increased economic development and jobs, improved building infrastructure, more appealing building stock and plants, upgrades of under-achieving properties.



www.texaspaceauthority.org

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2024 Annual Report