



CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 11/4/2015

ALL

Item Creation Date: 10/27/2015

ARA-PACE Adoption Ordinance

Agenda Item#: 23.

Summary:

AN ORDINANCE ESTABLISHING A PROGRAM UNDER THE TEXAS PROPERTY ASSESSED CLEAN ENERGY ("PACE") ACT OF 2013 FOR THE CITY OF HOUSTON AND ITS EXTRATERRITORIAL JURISDICTION, AS PROVIDED BY TEXAS LOCAL GOVERNMENT CODE CHAPTER 399; AND DECLARING AN EMERGENCY.

Background:

The Administration and Regulatory Affairs Department, with the support of the Mayor's Office of Sustainability, requests City Council approval of an ordinance establishing a Property Assessed Clean Energy (PACE) financing program.

The Property Assessed Clean Energy Act (PACE Act) was enacted by the State of Texas in 2013 (SB 385, 83rd session as amended by HB 3187, 84th session, Texas Local Government Code Chapter 399). It authorizes counties and municipalities to implement PACE financing programs.

PACE is a voluntary financing program that allows owners of commercial, industrial, and multi-family residential properties (with five or more dwelling units) to obtain low-cost, long-term loans for water conservation, energy-efficiency improvements, and distributed generation. The PACE Act authorizes municipalities and counties in Texas to support private sector lenders and property owners working together to finance qualified improvements using contractual assessments voluntarily imposed on the property by the owner. In exchange for funds provided by a private lender to pay for the improvements, the property owner voluntarily requests that the local government place an assessment secured with a senior lien on the property until the assessment is paid in full. The term of an assessment may extend up to the projected life of the improvement, which can result in utility cost savings that exceed the amount of the assessment payment.

As a result, improvements financed through a PACE program may generate positive cash flow upon completion without up-front, out-of-pocket cost to the property owner. PACE enables property owners to overcome market barriers, such as lack of access to capital and payback period requirements, which discourage investment in energy efficiency and water conservation improvements.

PACE provides the property owner with upfront financing for up to 100% of the cost of a qualified improvement and allows the property owner to amortize the debt over the useful life of the improvement. If a property is sold before the full amount of the PACE loan is repaid, the remaining repayment obligation automatically transfers to the next owner because the lien

securing the PACE assessment follows the title to the property without recourse for subsequent payments on the previous owner. Successive property owners assume the lien and are informed of the assessment through the closing process.

As required by the PACE Act, there are five steps that a local government must complete in order to create a PACE program:

1. **Draft and publish a report for the proposed program.** City staff drafted and published a report for the proposed Houston PACE program on October 1, 2015.
2. **Make the report available for public inspection.** The report has been available for public inspection in the Office of Sustainability (City Hall, 1st Floor) and on the website of the City of Houston at: www.greenhoustontx.gov/pdf/pace2015.pdf.
3. **Adopt an ordinance intending to create the proposed program.** On October 14, 2015, the Houston City Council adopted Ordinance No. 2015-996 establishing City Council's intent to create a Houston PACE program.
4. **Hold a public hearing to receive comments on the proposed program.** A hearing was held on October 21, 2015 at the Quality of Life Committee to receive comments on the creation of the proposed Houston PACE program. An informational presentation was given to the Quality of Life Committee on September 30, 2015.
5. **Adopt an ordinance to create the program.** With this agenda item, the Administration and Regulatory Affairs Department, with the support of the Mayor's Office of Sustainability, request City Council authorization of an ordinance to create the Houston PACE program.

Departmental Approval Authority:



Tina Paez, Director
Administration & Regulatory Affairs
Department

Other Authorization

Prior Council Action:

Ordinance No. 2015-996

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