

REQUEST FOR COUNCIL ACTION

TO: Mayor via City Secretary

RCA#

Authorize an ordinance intending to establish a Property Assessed Clean Energy (PACE) Program for the City of Houston pursuant to the PACE Act (Texas Local Government Code Chapter 399)	Category #	Page 1 of 2	Agenda Item
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FROM (Department or other point of origin): Tina Paez, Director Administration & Regulatory Affairs Department	Origination Date October 6, 2015	Agenda Date
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DIRECTOR'S SIGNATURE 	Council District(s) affected: All
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For additional information contact: Lara Cottingham Phone: (832) 393-8503 Laura Spanjian Phone: (832) 393-0849	Date and Identification of prior authorizing Council Action: N/A
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RECOMMENDATION: (Summary)
 Approval of an ordinance intending to establish a PACE Program for the City of Houston pursuant to the PACE Act (Texas Local Government Code Chapter 399) and holding a public hearing on October 21, 2015 to receive comments on the PACE program.

Amount of Funding: N/A	FIN Budget
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SOURCE OF FUNDING:

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

The Property Assessed Clean Energy (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 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, the lender, the City, the County or the program administrator. Successive property owners assume the lien and are informed of the assessment through the closing process.

REQUIRED AUTHORIZATION

FIN Department:	Other Authorization:	Other Authorization:
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Date: 10/6/15	Subject: ORDINANCE RELATING TO THE RETAIL GAS UTILITY RATES OF CENTERPOINT ENERGY ENTEX; APPROVING SUSPENSION OF THE OPERATION OF THE INTERIM RATE ADJUSTMENT.	Originator's Initials LC/LS	Page 2 of 2
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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 is available for public inspection in the Office of Sustainability (City Hall, 1st Floor) and on the website of the City of Houston at: <http://www.greenhoustontx.gov/pdf/pace2015.pdf>
3. Adopt an ordinance intending to create the proposed program: With this agenda item, City staff requests City Council authorization of an ordinance establishing City Council's intent to create the proposed Houston PACE program.
4. Hold a public hearing to receive comments on the proposed program: A public hearing will be held on October 21, 2015 at the Quality of Life Committee to receive comments to consider 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: Before the end of 2015, City staff anticipates requesting City Council authorization of an ordinance to create the Houston PACE program.