

Memorandum



CITY OF DALLAS

DATE October 1, 2021

TO Honorable Members of the Economic Development Committee:
Tennell Atkins (Chair), Carolyn King Arnold (Vice Chair), Adam McGough, Omar Narvaez, Jaime Resendez, Chad West, Gay Donnell Willis

SUBJECT

Upcoming Agenda Item: Authorize a three-year service contract, with two one-year renewal options, for third-party administrator services for the City's Property Assessed Clean Energy (PACE) program for the Office of Economic Development – Texas Property Assessed Clean Energy Authority dba Texas PACE Authority, only proposer - Financing: No cost consideration to the City

On October 13, staff will seek City Council authorization to execute a three-year service contract with two one-year renewal options with Texas Property Assessed Clean Energy Authority dba Texas PACE Authority for third-party administrator services for the City's Property Assessed Clean Energy (PACE) program.

On May 6, 2021, the City of Dallas issued BB21-00016024, a Request for Competitive Sealed Proposals (RFCSP) to procure third-party services related to the administration of the City's PACE program. Texas Property Assessed Clean Energy Authority dba Texas PACE Authority was the only proposer. The Office of Procurement Services conducted a single proposal review and found no exceptions.

This service contract will provide third-party administrator services for the City's PACE program, a financing tool to help property owners access long-term loans for clean energy, energy efficiency, and water conservation improvements. PACE financing provides contractual agreements between property owners, third-party lenders, and the City. At the request of a property owner, the City places an assessment on a property, which secures the PACE financing from a third-party lender.

The PACE program administrator serves as the primary point of contact for the City of Dallas PACE program. The program administrator is responsible for overseeing day-to-day tasks including but not limited to the following:

- Coordinating efforts between property owners and lenders throughout the application process
- Verifying application materials of property owners
- Gathering and maintaining reporting data in compliance with any applicable statute(s)
- Marketing and promoting the City of Dallas PACE program
- Maintaining the City of Dallas PACE program website

Additionally, the PACE the program administrator is responsible for maintaining a list of third-party service providers, including lenders/capital providers, independent third-party

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reviewers (qualified engineers), contractors, consultants, and attorneys with experience facilitating PACE transactions in Texas.

Please see the attached **Exhibit A** for background information regarding the City's PACE program.

Should you have any questions, please contact Kevin Spath, Assistant Director in the Office of Economic Development, at (214) 670-1691 or kevin.spath@dallascityhall.com

Regards,



Dr. Eric A. Johnson

Chief of Economic Development & Neighborhood Services

C: Honorable Mayor and City Council
 T.C. Broadnax, City Manager
 Chris Caso, City Attorney
 Mark Swann, City Auditor
 Bilierae Johnson, City Secretary
 Preston Robinson, Administrative Judge
 Kimberly Bizer Tolbert, Chief of Staff to the City Manager

 Majed A. Al-Ghafry, Assistant City Manager
 Jon Fortune, Assistant City Manager
 Joey Zapata, Assistant City Manager
 M. Elizabeth Reich, Chief Financial Officer
 M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion
 Directors and Assistant Directors



City of Dallas

City of Dallas
Property Assessed Clean Energy
(PACE) Program
Third-Party Administrator Service Contract

Economic Development Committee
October 4, 2021

Kevin Spath, AICP, EDFP, HDFP
Assistant Director
Office of Economic Development

Overview



- Background
- Staff Recommendation
- Next Step



Background: What is PACE?



- Innovative financing mechanism that enables owners of privately owned commercial, industrial, and multi-family (5 or more units) properties to obtain low-cost, long-term loans for water conservation upgrades, energy efficiency improvements, and renewable retrofits to their buildings
- 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 the 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



Background: What is PACE?



TEXAS PROPERTY **ASSESSED** CLEAN ENERGY (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

- Voluntary
- Open Market

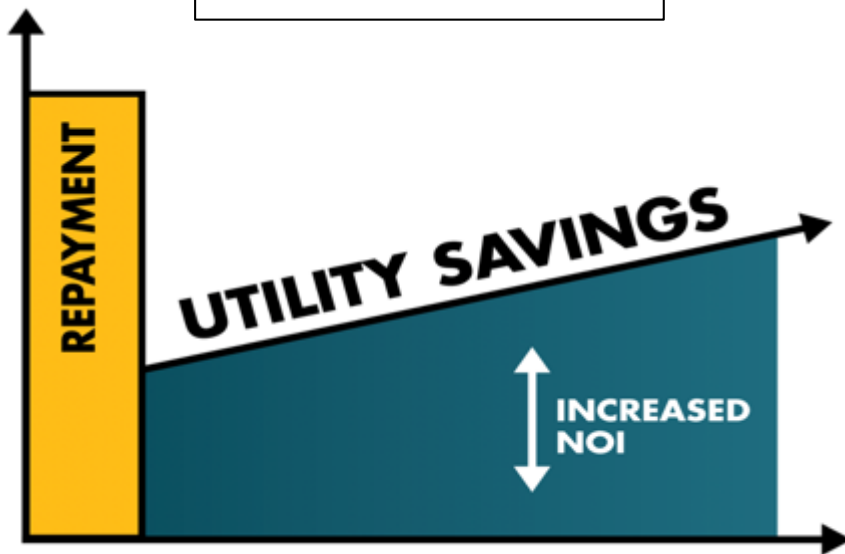


Background: Why PACE?



Lower Utility Costs & Increased Net Operating Income

Conventional



PACE



Background: What is PACE?



PACE is Win-Win-Win-Win-Win

- Property owners: lower utility bills, energy & water efficiency, energy independence, potential property value increase; longer loan term; transferability of debt
- Local contractors: source of increased business, best practices, keeping up with technology advancements
- Lenders: new loans, steady & stable process, fully collateralized, assessment lien position, improved asset value
- State of Texas: over the long-term, reduced peak demand, enhanced grid reliability, improved air quality, water resource conservation
- Local municipalities: increased economic development, improved building stock, increased competitiveness



Background: Dallas PACE Program Timeline



2013: City supports Texas PACE Act (Chapter 399 Local Government Code); signed into law June 14, 2013

2013-2014: City participates in PACE in a Box Working Groups

2015: City adopts Resolution of Intent to establish PACE program (based on PACE in a Box model); initiates competitive procurement process to solicit a third-party Program Administrator

2016: City establishes first City-enacted PACE Program in Texas; selects Texas PACE Authority (TPA) as Program Administrator

2017: City closes first PACE project (\$24 million PACE financing); largest PACE project in Texas to-date

2020: City adopts first Comprehensive Environmental and Climate Action Plan (CECAP); identifies PACE program as specific action to help achieve Goal 1 (increase energy efficiency of existing buildings) and Goal 2 (ensure affordable access to renewable energy)

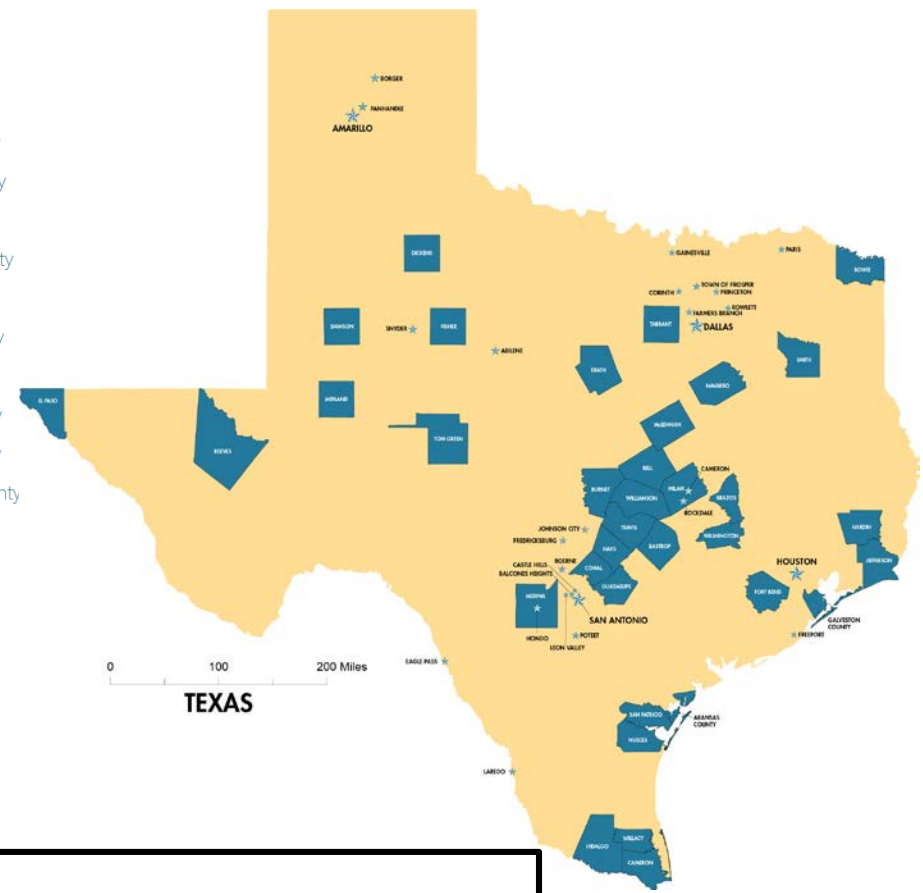


Background: Growing PACE Market



COUNTIES

- | | | |
|---------------------|-------------------|-------------------|
| Aransas County | Bastrop County | Bell County |
| Bowie County | Brazos County | Burnet County |
| Cameron County | Comal County | Dawson County |
| Dickens County | El Paso County | Erath 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 | Reeves County |
| San Patricio County | Smith County | Tarrant County |
| Tom Green County | Travis County | Washington County |
| Willacy County | Williamson County | |



CITIES

- | | | |
|----------------------|------------------------|--------------------------|
| City of Abilene | City of Amarillo | City of Balcones Heights |
| 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 Gainesville | City of Hondo |
| City of Houston | Jacinto City | Johnson City |
| City of Laredo | City of Leon Valley | City of Panhandle |
| City of Paris | City of Poteet | City of Princeton |
| Town of Prosper | City of Rockdale | City of Rowlett |
| City of San Antonio | City of Snyder | |



- Non-profit 501c(3) created in 2015
- Served as Administrator for City of Dallas PACE program 2016-2021

- 64 local PACE programs statewide
- >60% of state population
- Total PACE projects: 50
- Total PACE investment: \$171 Million



Background: Dallas PACE Projects



Continental Gin



Butler Brothers



Red Bird Mall Redevelopment

| Projects | PACE Financing | Property Type | CO2 Avoided (tonnes) | Annual electricity Savings (kWh) | Annual Natural Gas Savings (mmBTU) | Annual Water Savings (Kgal) |
|-----------------------------|------------------------|---------------|----------------------|----------------------------------|------------------------------------|-----------------------------|
| Butler Brothers | \$23,912,325 | Mixed Use | 3,507 | 6,691,648 | 460 | 692 |
| Dallas Paint and Body | \$74,140 | Retail | 21 | 40,572 | - | - |
| Jackson Street Garage | \$5,140,164 | Retail | 266 | 511,524 | - | - |
| Continental Gin | \$5,250,000 | Mixed Use | 1,318 | 1,398,812 | 11,124 | 515 |
| JW Marriott | \$5,059,884 | Hospitality | 252 | 448,135 | 350 | 577 |
| Red Bird Mall Redevelopment | \$3,350,000 | Mixed Use | 351 | 673,784 | - | 3,420 |
| White Rock Tower | \$496,383 | Office | 310 | 596,499 | - | - |
| 7 | \$43,282,895.13 | | 6,024 | 10,360,974 | 11,934 | 5,204 |



Background: 2021 RFCSP



- On May 6, 2021, the City of Dallas issued BB21-00016024, a Request for Competitive Sealed Proposals (RFCSP) to procure third-party services related to the administration of the City's PACE program.
- Texas Property Assessed Clean Energy Authority dba Texas PACE Authority was the only proposer.
- 6-member staff panel from Planning & Urban Design Department, Office of Environmental Quality & Sustainability, Office of Economic Development including Business Workforce & Inclusion division, and Office of Procurement Services selected the sole proposer on the basis of demonstrated competence and qualifications.
- Office of Procurement Services conducted a single proposal review and found no exceptions.



Staff Recommendation and Next Step



Staff Recommendation

- Authorize a three-year service contract, with two one-year renewal options, with Texas Property Assessed Clean Energy Authority dba Texas PACE Authority for third-party administrator services for the City's PACE program

Next Step

- An agenda item will be placed on October 13, 2021 City Council agenda



EXHIBIT A



City of Dallas

City of Dallas PACE Program

Third-Party Administrator Services

Economic Development Committee
October 4, 2021

Kevin Spath, AICP, EDFP, HDFP
Assistant Director
Office of Economic Development