

PACE for affordable housing: Lowering costs and pollution

PACE upgrades are “good for the building, good for the environment, good for the future.” –TX Rep. Jim Keffer

—Texas Tribune (Oct. 2014)

LEVERAGING A CLEAN ENERGY FINANCE TOOL IN TEXAS

Affordable housing properties have the opportunity to save money, increase bottom-line profitability, and improve quality of life for low-income communities by taking advantage of an underutilized finance tool: Property Assessed Clean Energy (PACE). An innovative, market-based financing program, PACE enables property owners to obtain low-cost, long-term financing for energy efficiency, onsite generation, and water conservation improvements to their properties. Armed with the right tools and information, governments, property owners, and PACE administrators can maximize the potential of PACE, leading to cleaner, more affordable housing for all.

PACE in Texas

PACE was enacted in Texas during the 2013 legislative session with bipartisan support. Many Texas cities and counties, including the City of Dallas, City of Houston, and Austin’s Travis County, have since adopted PACE programs.

A voluntary program completely free of government mandates and public funding, PACE enables commercial, industrial, and multifamily property owners to improve the water or energy efficiency of their buildings—without having to worry about steep upfront costs. Municipalities and counties work with private sector lenders to fund clean energy and water conservation projects, using a property

assessment that ties the financing obligation to the property itself.

PACE for affordable housing

The lack of energy and water efficient solutions in affordable multifamily housing properties has great implications for tenants, as well as landlords and property owners. High energy and water bills can force families to choose between keeping the lights on and other daily necessities. Simultaneously, property owners face rising operational costs due to high utility bills.

Fortunately, the affordable housing sector can leverage PACE as a financing tool for energy and water saving projects. These investments

CLEAN ENERGY

“PACE is helping three Central Texas malls save over 3 million kilowatt hours in electricity and nearly 2.5 million gallons of water every year.”

—Keeping PACE in Texas
(Sept. 2016)

can not only reduce operating costs and pollution, but also increase property owners' bottom-line profitability while improving tenants' living conditions.

Policymakers' role

In order to help the housing industry overcome barriers to using PACE, local policymakers should include innovative financing tools like PACE in their arsenal of funding opportunities. Additionally, public-private partnerships can be highly beneficial, and policymakers should look to combine efforts where possible.

More specifically, Texas should amend the Texas PACE Act to make government-owned and new development of affordable housing properties eligible for PACE financing.

Opportunities to engage



Rental Assistance Demonstration

The greatest opportunity lies in Public Housing Authorities (PHA) participating in the HUD's Rental Assistance Demonstration (RAD) program. RAD allows PHAs to access private capital by converting their assistance program to HUD's Section 8 rental assistance contracts. Therefore, properties undergoing RAD conversions can leverage private debt and equity to make property-wide improvements, including efficiency retrofits. The transition presents a prime time to ensure affordable multifamily housing properties take advantage of PACE. In Texas, there are over 6,500 units in this stage, including over 1,400 units in the City of Austin.¹

¹ U.S. Department of Housing and Urban Development (July 2016)

² U.S. Department of Agriculture Rural Development (Oct. 2016)



Nationally, the U.S. Department of Housing and Urban Development (HUD) should revise its methodology for utility allowance formulas so property owners have economic incentives to invest in energy and water efficiency.



Rural Development

Properties funded by the U.S. Department of Agriculture Rural Development (USDA RD) programs can utilize PACE financing. Texas PACE Authority, the PACE program administrator in the state, has been in conversations with the USDA RD Multifamily Housing Director at the state level and with Local Area Directors, who strongly support the use of PACE financing for USDA RD-funded properties' rehabilitation projects. Currently, there are 22 affordable housing properties funded by the USDA located in PACE-eligible jurisdictions in rural Texas, or 50 properties including counties and cities where PACE will be established within the coming months.²

PHOTOS: Apartments/iStock/a40757.
Solar worker/iStock/Pedro Castellano.

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