



# City of San Antonio

## Agenda Memorandum

**File Number:**

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**Agenda Item Number:** 20

**Agenda Date:** April 3, 2025

**In Control:** City Council A Session

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**DEPARTMENT:** Economic Development Department

**DEPARTMENT HEAD:** Brenda Hicks-Sorensen

**COUNCIL DISTRICTS IMPACTED:** Citywide

**SUBJECT:**

Authorizing an amendment to the City's Interlocal Agreement with the Alamo Area Council of Governments (AACOG) to extend AACOG's administration of the City's Property Assessed Clean Energy (PACE) Program for two additional renewal years of one year each, at the City's option, and providing the City Manager with authority to approve future amendments.

**SUMMARY:**

The Ordinance authorizes an amendment to the Interlocal Agreement with the Alamo Area Council of Governments (AACOG) for third-party administration of the City's Property Assessed Clean Energy (PACE) Program. The amendment extends the term of the agreement with AACOG for its services as the PACE Program's Third-Party Administrator to include two additional one-year extensions, at the City's option, and provides the City Manager with the authority to approve future amendments to the Interlocal Agreement.

**BACKGROUND INFORMATION:**

Approved by the Texas legislature in 2013, the Property Assessed Clean Energy (PACE) Act established an innovative financing tool that allows owners of commercial, nonprofit, industrial, and large multi-family residential properties access to private low-cost, long-term loans to conduct energy efficiency and water conservation improvements to real property. Since the establishment

of the PACE Act in Texas, 103 communities and counties in Texas have implemented the program in their jurisdictions. As of January 2025, these PACE programs have facilitated over 90 projects, with a cumulative investment of over \$500 million.

The PACE Act allows a local government the ability to designate an area within its legal jurisdiction where record owners of commercial, nonprofit, industrial, and large multi-family residential real property may gain access to this financing tool. This program helps lower financial barriers that delay or prevent property owners from implementing energy and water efficiency improvements. The savings expected as a result of the improvements must be validated by a third-party reviewer, further reinforcing the likelihood of improving cash-flow for the business.

PACE loans are paid through and secured by a property assessment voluntarily imposed with consent from existing property owners. The senior lien status of PACE assessments reduces the risk of non-payment, making this form of financing attractive to long-term and risk-averse lenders. The term of an assessment may extend through the projected life of the improvement.

On February 20, 2020, City Council approved a Resolution of Intent to establish a PACE Program within the boundaries of the City of San Antonio, as well as an Ordinance entering into an Interlocal Agreement with the AACOG to serve as the Third-Party Administrator of the PACE Program. On March 5, 2020, Council conducted a public hearing and approved an Ordinance to Establish the City's PACE program. The PACE Program is designed to promote the City's sustainability and economic development efforts by providing a financing tool that allows owners of commercial, nonprofit, industrial, and large multi-family residential properties access to low-cost, long-term loans for energy efficiency and water conservation improvements to real property.

As part of its agreement with the City, AACOG issued a Request for Proposals (RFP) and selected the Texas Pace Authority (TPA) to assist in administering the City's PACE Program. AACOG is responsible for marketing the program, incorporating Economic Development Department (EDD) approved priorities, and submitting bi-annual reports in collaboration with TPA. There is no cost associated with the PACE Program for the City. AACOG's contractor, TPA, is paid through commissions on projects completed.

Since the establishment of the City's PACE Program, four projects in San Antonio have utilized the financing structure. These four projects have been for hospitality, office, and mixed-use residential projects, with over \$83 million in assessed value. Two projects with over \$60 million in combined capital investment have applications currently with AACOG and its partner TPA for future projects. Eight other cities in Bexar County have approved PACE Programs and partnerships with AACOG, as well.

## **ISSUE:**

The Interlocal Agreement approved by City Council on February 20, 2020, was fully executed by the City and AACOG on April 9, 2020, following the establishment of the City's PACE Program on March 5, 2020. The agreement's term included an initial two years, and three one-year extension options. Because of the COVID-19 pandemic, much of the initial PACE Program work and engagement on projects were delayed. The extension of the agreement's term will allow the

City to maintain continuity with AACOG for the City's PACE Program. The amendment also provides the City Manager or their designee with the authority to approve future amendments to the Interlocal Agreement. Amendments must still be made in writing and signed by both AACOG and the City.

**ALTERNATIVES:**

If City Council elects to not extend the ILA with AACOG, the City's PACE Program will not have a Third-Party Administrator for the program, which would cause delays for PACE projects being developed and currently in process of closing, until a new administrator could take over responsibility.

**FISCAL IMPACT:**

This amendment and the ILA with AACOG have no fiscal impact to the City of San Antonio.

**RECOMMENDATION:**

Staff recommends approval of the Ordinance authorizing the amendment to the City's Interlocal Agreement with AACOG for Third-Party Administration of the City's PACE Program.