

Summary of the Texas Property Clean Energy Act (PACE)

Judge Cunningham, Cristy Vaught and Commissioner Peter Jones met with the Texas Property Clean Energy Act Authority (PACE), the developer of Horseshoe Bay Silver Rock subdivision project and Ron Mitchell, representing the Horseshoe Bay Resort, on February 4, 2025, to discuss Llano County entering into an agreement with the Texas PACE Authority to establish a PACE program for Silver Rock and potentially all present and future commercial property owners in Llano County, to borrow funds from financial institutions on favorable terms to build energy and water conservation infrastructure on their commercial property.

The Property Assessed Clean Energy Act (PACE) was established in the Texas Local Government Code under Chapter 399.

A Llano County PACE Program would help our businesses and nonprofits overcome the high cost of energy and water saving equipment at no cost to taxpayers. A commercial property owner may voluntarily use the program for infrastructure that conserves energy and water. A third-party Texas licensed engineer must determine that the project's savings is estimated to be achieved over the life of the equipment exceeds the project cost. These savings would pay back a loan and financially justify the project. This is presented to a third-party financial institution by the property owner to borrow funds for the upgraded equipment on favorable terms, which without PACE would not likely be approved.

The reason that favorable terms might be provided is that Llano County would establish a lien on the property for the loan. Since government entities are senior lenders and are the first to be repaid on loans if a property is foreclosed, the lender would look at this loan as low risk and give favorable terms.

Llano County does not loan any funds and would look to the Linebarger law firm to collect a defaulted installment in the same way it collects property tax defaults. Under this arrangement the funds from any foreclosure would repay all county expenses, including attorney's fees and the PACE loan. Llano County does not have any financial liability and limited or no administration function under this program as stated in various required legal agreements. The Texas PACE Authority, the nonprofit PACE program administrator, performs these functions including all of the research on the property, the loan, the cost of energy and water equipment and savings, administration and reporting.

The benefit to the developer or commercial property owner is to set up energy and water conservation infrastructure that save ongoing costs and gets a favorable loan for this purpose.

Llano County benefits by offering PACE to prospective commercial developers or current commercial property owners, multi-unit residences with 5 units or more, and industrial property owners to help in the conservation of energy and water with favorable private loans. There is no risk to the county with the proper agreements in place. This should aid in economic development in Llano County offering this attractive benefit.

The Llano County Attorney office has reviewed all agreements and have approved them. Linebarger Goggan Blair Sampson LLP, Llano County's legal counsel who conducts foreclosures for delinquent property tax on behalf of the county, has also reviewed the agreements and the process for input.

The PACE regulations state that a county or city could establish this program with the Texas PACE Authority. The proposed Silver Rock subdivision is located within the boundaries of the City of Horseshoe Bay and either the City of Horseshoe Bay or Llano County could establish this program with PACE for this one development but the Texas PACE Authority prefers to have Llano County enter into the PACE agreement so that all existing and future commercial developments in Llano County can apply for PACE loans.

The steps to have Llano County establish this program with the Texas PACE authority are:

1. Inform, discuss and present to a Llano County Commissioners' Court meeting.
2. The Commissioners' Court to approve a **Resolution of Intent**. This Resolution allows the county to publish the PACE information on the county's website for the public to review and sets a public hearing date.
3. At a subsequent Commissioners' Court meeting the following agenda items and agreements can be discussed and voted on:
 - Conduct a **Public Hearing** on the proposed Llano County PACE Program
 - Consider and take possible action on a **Resolution to Establish** the Llano County PACE Program
 - Consider and take possible action to approve a **Services Agreement** with the Texas PACE Authority to administer the Llano County PACE program.

Cristy Vaught of Llano County Development Services has agreed to be the contact person for the Llano County PACE program.

Llano County Commissioner Pct 1 Peter Jones
May 12, 2025