

TX-PACE FOR THE AGRICULTURAL SECTOR



WHAT IS THE TEXAS PACE PROGRAM?

Texas Property Assessed Clean Energy (TX-PACE) is a proven financial tool that incentivizes Texas' property owners to upgrade facility infrastructure with little or no capital outlay. Approved by state legislation and established by your local governments, TX-PACE programs enable owners to lower their operating costs and use the savings to pay for eligible water conservation, energy efficiency, resiliency, and distributed generation projects. Owners gain access to affordable, long-term, private financing that is not available through traditional funding avenues.

Owners of eligible commercial, industrial, agricultural, nonprofit, and multifamily facilities can use TX-PACE to pay for property improvements including new heating and cooling systems, lighting, solar panels, water pumps, insulation, roofs, windows, and more. This program accelerates upgrade investments in existing facilities, preserving capital and credit lines and empowering owners to retain their available capital for revenue-generating items including employees, technology, products, and growth.

TX-PACE was identified by Scientific American as one of the top 20 "world changing" ideas, because it provides a new source of property-secured financing for property retrofits that does not affect conventional lending sources and does not compete for capital with other investment opportunities.

TX-PACE answers the question, "How are we going to pay for it?" and is transforming how developers, owners, and contractors look at projects, proving that there is a clear path forward for energy efficiency, distributed generation, and water use reduction measures.

HOW DOES TX-PACE WORK?

TX-PACE is a simple and effective program that allows owners to see an immediate increase to net operating income and find investing in efficiency a business-savvy proposition. Owners choose a private sector capital provider and voluntarily request that the local government place a senior lien on the property for the total cost of the project. The owner commits to the local government that he/she will pay the TX-PACE assessment installments. TX-PACE is not a personal or business loan. It is a voluntary land-secured assessment that is paid off over time. The energy and/or water savings are structured to exceed the cost of the assessment, resulting in projects that are cash flow positive. As the assessment is tied to the property, the repayment obligation transfers to the next owner if the property is sold.

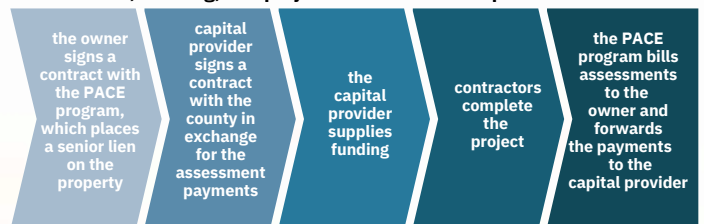
Texas PACE Authority administers the uniform "PACE in a Box" model program on behalf of local governments. This successful model is market-based and flexible, providing the lowest possible administrative cost and highest level of consumer protection, allowing owners to do business with the parties of their choosing.

HOW IT WORKS

A Building Owner:



If the owner, building, and project all meet PACE requirements:



WHAT ARE THE BENEFITS OF TX-PACE?

Property Owner Benefits:

Cash flow positive projects • 100% financing • Automatic transfer upon sale • Long-term financing (up to 20 years or more) • Lower energy and water costs • No personal guarantees • Competitive rates and terms • Owner retains all tax incentives • Increase property value • Preserve capital for core business • Reduce environmental impacts • Satisfy new food safety requirements of the Federal Information Security Management Act • Can be used in combination with programs such as the Farm Service Agency Conservation Loan Program, Environmental Quality Incentives Programs, and USDA program • Implement season extension • Apply value-added processing & product diversification

WHAT IMPROVEMENTS ARE ELIGIBLE?

Eligible Improvements:

Chillers, boilers, and furnaces • HVAC, BMS, BAS, EMS controls • Lighting • Water heating systems • Energy management systems and controls • Roofing • Windows • Doors • Insulation • Elevator modernization • Pool equipment • Cogeneration or combined heat and power • Heat recovery and steam traps • Solar panels • Wind turbines • Water management systems and controls • Irrigation equipment • Rainwater collection systems • Toilets • Faucets • Greywater systems... and more!

THE FINANCIAL IMPACT OF AGRICULTURAL TX-PACE

This example compares self-funding and conventional funding with TX-PACE financing:

- Industrial Facility
- Project involves a \$2.5M 1.3MW CHP system
- Annual net savings of \$473,000 (5.3 yrs simple payback)
- The project does not pass the company's hurdle rate for investment in energy efficiency (i.e. the ROI is likely too low)
- Conventional funding for 5 years at 4.0% (20% down payment)
- TX-PACE funding available for 20 years at 6.0%.
- Energy prices held constant. NPV discount rate at 8%.

FINANCING SCENARIO COMPARISON SUMMARY			
	Self-Funded	Conventional Loan	TX-PACE Loan
Out-of-Pocket Investment	(\$2,500,000)	(\$500,000)	\$0
Savings (First Year)	\$473,000	\$473,000	\$473,000
Annual Payment	\$0	(\$561,568)	(\$217,961)
Cash Flow Impact Year 1	(\$2,027,000)	(\$588,568)	\$255,039
Net Project Cash Flow Year 2	(\$1,554,000)	(\$677,136)	\$510,077
Years to Positive Project Cashflow	5.3	7.0	IMMEDIATE
Debt Service Over Finance Term	0	(2,807,839)	(2,368,742)
10-Year Project NPV	\$673,869	\$431,691	\$1,711,330
Property Value Increase (20-Year NPV)	\$2,143,984	\$1,901,806	\$2,504,007

AGRICULTURAL FACILITIES BENEFIT FROM PACE



5 SPOKE CREAMERY, NY PACE

5 Spoke Creamery, a Hudson Valley-based artisan cheese making business, installed a 53kW solar system that will provide 100% of the farm's electricity needs. PACE financing was combined with state and federal solar incentives to create a \$75,000 project that was cash flow positive from day one. The project allows the creamery to spend less on power and more on growing the business.



ELA FAMILY FARMS, CO PACE

Ela Family Farms, a Hotchkiss-based certified organic orchard, used PACE financing to install a new 25kW solar photovoltaic (PV) system at its warehouse. Along with producing renewable energy, the \$60,000 installment is projected to save the more than \$113,000 in energy costs over the system's lifetime.