



LONE STAR
— PACE —

ANNUAL
REPORT
2022



The Lone Star PACE Difference

COST EFFECTIVE, EXPERIENCED, AND COMMUNITY FOCUSED

Property Assessed Clean Energy (“PACE”) program for energy efficiency, water conservation, and renewable energy improvements to commercial properties

www.LoneStarPACE.com



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SECTION I

Message from the President



Lee A. McCormick

President,
Program Administrator

Lone Star PACE (LSP) is a program administrator that works with local governments, energy sector stakeholders, and policymakers to advance investment in commercial real estate utility conservation reduction measures and technologies in Texas. This is part of a statewide economic development initiative known as Property Assessed Clean Energy (PACE). LSP helps local governments achieve their goals of promoting energy and water efficiency while supporting economic development through the PACE program.

On behalf of Lone Star PACE and staff, I am pleased to present the 2022 Annual Report. This report provides an overview of the organization’s activities and accomplishments over the past year.

Lone Star PACE continued its training and outreach efforts in participating communities in 2022, while also adding five jurisdictions to the list of cities and counties it serves. The organization saw growth in PACE activity, completing seven PACE projects and working on numerous others in various stages of development. LSP also participated in the Keeping PACE in Texas

Technical Standards Working Group, a coalition of PACE stakeholders, which developed updated standards and guidance for PACE in the state. Through this work, LSP aimed to promote consistent standards for PACE while also allowing local government to tailor their programs to meet their specific needs, as long as they aligned with current legislation.

During 2022, Lone Star PACE continued to promote the economic and environmental benefits of PACE programs in Texas. The organization believes that there is significant opportunity to increase inclusive prosperity and sustainability in the state through the adoption of PACE. LSP is committed to expanding the societal benefits of PACE programs, and to promoting their use by more businesses and communities in Texas.

Lone Star PACE furthered education and engagement with PACE stakeholders in 2022 through online and in-person meetings and training seminars. These events were attended by participants from across the state and included webinars and educational sessions for Economic Development Corporations, Chambers of Commerce, developers, property owners, lenders, contractors, and other community influencers. LSP also focused on raising awareness of PACE among diverse communities and communities of color. In addition to these efforts, the organization’s digital marketing campaign reached a significant number of stakeholders in the communities it serves, further increasing awareness of the PACE program.

We all have a role to play in reducing our environmental impact and building a more sustainable world. By taking small actions, we can make a big difference collectively. The purpose of this annual report is to highlight the progress that has been made and to encourage increased engagement and action from both the public and private sectors. While we are proud of the progress that has been achieved, we also recognize that there is still more work to be done. Our efforts to drive progress are focused on achieving long-term, systemic change that benefits people, communities, and the planet. By working together, we can create a more sustainable future for all.



During FY2022, Lone Star PACE continued to promote the economic and environmental benefits of PACE programs in Texas. The organization believes that there is significant opportunity to increase inclusive prosperity and sustainability in the state through the adoption of PACE.

SECTION II

Local Government

PACE financing benefits local government by expanding its tax base through increased property values, creates economic development and supports sustainability goals. PACE financing also enables property owners to make energy efficiency, water conservation, and renewable energy upgrades to their properties, which may lower operating costs and increase a property's overall efficiency and marketability. As a result, PACE-upgraded properties often have a higher resale value, making them more attractive to buyers and tenants.

When properties are worth more, they generate more property tax revenue for the local government. This provides a stable source of funding for essential public services such as schools, infrastructure, and public safety, which in turn can improve the overall quality of life for the community. Furthermore, an increase in property values can also lead to an increase in economic development, as more businesses and individuals are drawn to the area. This creates

more jobs, higher tax revenues, and a more vibrant community.

In addition to an increased tax base, PACE also benefits local government in addressing sustainability goals and promoting environmental stewardship, which can further boost the reputation of the community and bring in additional investments. Overall, PACE financing is a win-win for both property owners and local government, as it not only improves energy efficiency and lower costs for property owners, but also provides local government with a way to improve the community.



SECTION III

Program and Project Growth

Adapt and Empower

In 2022, Lone Star PACE continued its expansion across the state by adding Dallas County, Collin County, Kaufman County, the City of Cleburne, and the City of Decatur to its service area. This represented a 30% increase in Lone Star PACE's coverage, bringing the benefits of PACE financing to more property owners in Texas.

Lone Star PACE is committed to adapting to the needs of its clients and empowering them to make informed decisions about PACE financing. To achieve this, the organization is deliberately and carefully expanding its reach, ensuring that it can provide high-quality service to its clients while also growing its statewide footprint. By working closely with local governments and other stakeholders, Lone Star PACE is helping to drive the growth and success of PACE in Texas while serving as an advocate, educator, and compliance manager, to help jurisdictions maximize the impact of their PACE program along with the sustainability and economic development benefits it provides.



1 Administer existing and current PACE projects



2 Expand the reach and accessibility of PACE projects throughout the State of Texas



3 Educate and train stakeholders about PACE



4 Facilitate potential future PACE-funded projects.



A. 2022 Projects

1. ALOFT HOTEL

Date of Assessment	November 9, 2022
PACE Municipality	Dallas County
PACE Assessment	\$7M
Project	156 unit, Hotel - Improvements
Improvements	Envelope, Lighting, HVAC, Domestic Hot Water, Water Reduction, High Efficiency Elevator
Utility Savings	567,776 kWh/yr (17% reduction) 5,808 kgal/yr (11% reduction) 4,126 therms/yr (9% reduction)

Project Overview

The Aloft Hotel is a 156-room hotel located in Dallas County. At the time of PACE application, the property was being upgraded to incorporate energy and water savings and, therefore, qualified for PACE. Qualified improvements included in the PACE assessment are envelope, lighting, HVAC, DHW, water reduction and high efficiency elevator improvements.

Impact

By obtaining PACE financing, the property owner was able to upgrade the building's envelope, electrical, and mechanical systems, which had the following effect:

- Provided an estimated 17% reduction in annual energy savings totaling 567,776 kWh/yr
- Provided an estimated 11% reduction in annual water savings totaling 5,808 kgal/yr
- Provided an estimated 9% reduction in annual thermal output totaling 4,126 therms/yr
- Enabled Dallas County to further their sustainability and economic development goals and reduce demand on the Texas electrical grid.



Equivalent to the energy used by
43 average Texas residential homes/yr



Equivalent to
767,239 water bottles/yr



https://www.eia.gov/electricity/sales_revenue_price/pdf/table5_a.pdf

2. HILLCREST OAKS

Date of Assessment	December 15, 2022
PACE Municipality	Dallas County
PACE Assessment	\$1M
Project	Two Class B Office Buildings - Improvements
Improvements	Envelope, Lighting, HVAC, Plumbing
Utility Savings	165,389 kWh/yr (80% reduction) 312 kgal/yr (83% reduction)

Project Overview

The **Hillcrest Oaks** is an existing office development consisting of two (2) buildings and containing 183,967 SF of gross leasable area. The improvements were constructed in 1980 and recently renovated in 2021. The property is situated on 7.44 acres. This PACE assessment is for a retroactive project of upgrades that were completed in 2021.

Eligible PACE improvements include water and energy saving components consisting of envelope, lighting, HVAC and plumbing.

Impact

By obtaining this PACE loan, the property owner was able to finance upgrades to the building's envelopes, electrical, and mechanical systems, which had the following effect:

- Provided an estimated 80% reduction in annual energy savings totaling 165,389 kWh/yr
- Provided an estimated 83% reduction in annual water savings totaling 312 kgal/yr
- Enabled Dallas County to further their sustainability and economic development goals.

Equivalent to the energy used by

13 average Texas residential homes/yr



Equivalent to

41,215 water bottles/yr



https://www.eia.gov/electricity/sales_revenue_price/pdf/table5_a.pdf

HILLCREST OAK



3. NORTHRIDGE CENTER

Date of Assessment	December 20, 2022
PACE Municipality	Dallas County
PACE Assessment	\$0.6M
Project	12 unit, Multi-Tenant Retail Center - Renovations
Improvements	Envelope, Lighting, HVAC
Utility Savings	336,426 kWh/yr (80% reduction)

Project Overview

Northridge Center is a 34,140 SF multi-tenant retail center situated on a 121,724 SF site. The subject was constructed in 1960. There are twelve suites which all have a similar finish-out with one suite having a restaurant. The utility saving components that were installed include envelope, lighting, and HVAC improvements.

Impact

By obtaining this PACE loan, the property owner was able to finance upgrades to the building's envelopes, electrical, and mechanical systems, which had the following effect:

- Provided an estimated 80% reduction in annual energy savings totaling 336,426 kWh/yr
- Enabled Dallas County to further their sustainability and economic development goals.

Equivalent to the energy used by

26 average Texas residential homes/yr



https://www.eia.gov/electricity/sales_revenue_price/pdf/table5_a.pdf

4. RIVER EDGE

Date of Assessment	December 23, 2022
PACE Municipality	Dallas County
Project	5-story, Multi-Tenant, Class A+ Office Building - Improvements
Improvements	Envelope, Lighting, HVAC, Plumbing



5. THIRTEEN THIRTY THREE

Date of Assessment	December 23, 2022
PACE Municipality	Dallas County
Project	10-Story, Multi-Tenant, Class A+ Office Building - Improvements
Improvements	Envelope, Lighting, HVAC, Plumbing



6. PROVEER AT SOUTH SHORE

Date of Assessment	December 29, 2022
PACE Municipality	Galveston County
PACE Assessment	\$4.5M
Project	113 Unit, Assisted Living/ Memory Care Facility – Conversion of Vacant Structure
Improvements	HVAC, Electrical, Envelope, Plumbing
Utility Savings	2,053,512 kWh/yr (42% saved) 159 kgal/yr (33% saved)

Project Overview

The project to be known as **Proveer at South Shore** consists of an existing vacant skilled nursing facility that will be renovated and converted into a 113-unit assisted living/memory care facility. The facility contains 84,460 square feet of gross building area and is situated on a 7.401-acre parcel of land. PACE financing gave the property owner options to introduce high efficiency improvements, including HVAC, electrical, envelope and plumbing.

Impact

By obtaining this PACE loan, the developer was able to upgrade the building's electrical and mechanical systems, which had the following effect:

- Provided an estimated 42% reduction in annual energy savings totaling 2,053,512 kWh/yr
- Provided an estimated 33% reduction in annual water savings totaling 159 kgal/yr
- Enabled Galveston County to further their sustainability and economic development goals.



PROVEER AT SOUTH SHORE

Equivalent to the energy used by

156 average Texas residential homes/yr



Equivalent to **21,004** water bottles/yr



https://www.eia.gov/electricity/sales_revenue_price/pdf/table5_a.pdf

B. Expanding Reach and Availability

In this last year, Lone Star PACE experienced accelerated growth by completing seven Commercial PACE (C-PACE) projects totaling over \$45 million in energy and water efficiency improvements to commercial buildings. The number of local government jurisdictions served by Lone Star PACE increased to 17 in the team's continued effort for stable and managed growth of the program. LSP is encouraged to see a continued increase in capital providers interested in providing funding for sustainable investing. During the year LSP was able to increase the number of capital providers from 15 to 18.

The benefits of PACE programs are realized throughout Texas when more cities and counties commit to establishing and promoting them. Lone Star PACE has had the opportunity to work with many jurisdictions in setting up and administering PACE programs. When local governments engage providers like Lone Star PACE to oversee the program in their area, it increases the resources available to collaborate with stakeholders. The Lone Star PACE team serves as an advocate, educator, and compliance manager to help jurisdictions optimize the impact of their PACE programs and the sustainability and economic development benefits they provide. By expanding the availability and promotion of PACE projects in the state, the benefits of these programs can be shared by more communities across Texas.

Lone Star PACE was added as an administrator for:

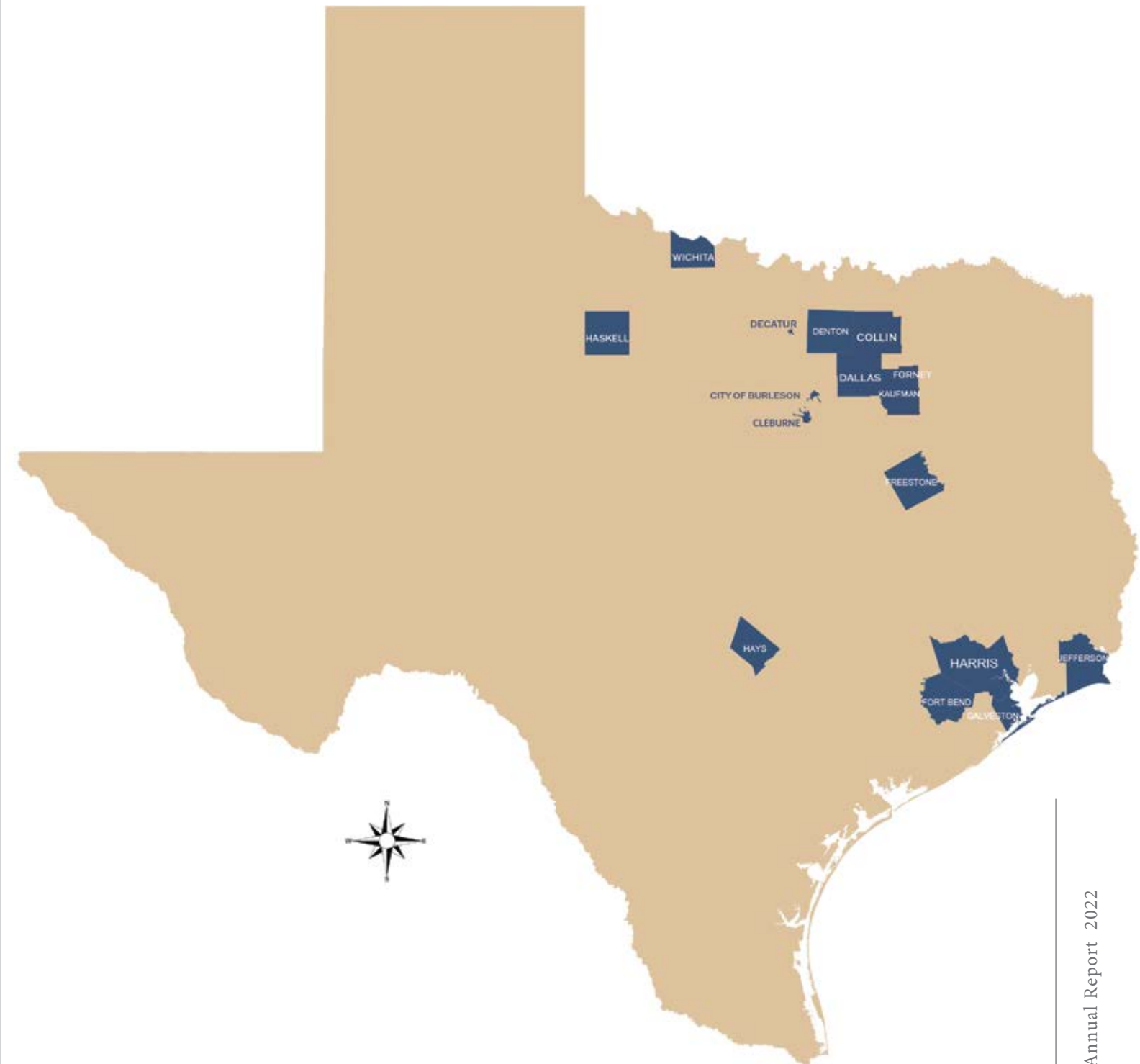
City of Cleburne on January 11, 2022

City of Decatur on April 22, 2022

Collin County on June 13, 2022

Dallas County on October 4, 2022

Kaufman County on October 11, 2022



C. Educate and Train Stakeholders

One of the primary goals of Lone Star PACE is to educate various stakeholders about the initiative. This includes property owners, local governments, and other interested parties who may benefit from PACE financing. Providing information and resources about PACE increases understanding and awareness of the program and encourages more property owners to take advantage of PACE financing for energy efficiency, renewable energy, and water conservation improvements. Through education and outreach efforts, Lone Star PACE ensure that the program is widely understood and supported, and that it achieves its intended benefits for property owners and the communities in which they live.

Personalized, one-on-one conversations have proven to be the most effective method for bringing PACE projects to completion and helping local leaders understand the program. These discussions allow Lone Star PACE team members to address specific questions and concerns related to PACE in a particular municipality or situation. By providing targeted information to Chambers of Commerce, Economic Development Councils, and other local leaders, Lone Star PACE is able to expand outreach about PACE programs in communities across Texas. These personal interactions have been instrumental in building confidence in PACE and increasing its uptake in the state.

These various efforts were targeted at the various stakeholders of the PACE program.



We are also pleased to note that PACE is becoming much more commonly known thanks to the outreach and education efforts of Lone Star PACE and many other stakeholders in the economic development, government, sustainability, and business communities. But most of all, we are encouraged by the success of PACE in doing what it was intended to do: support sustainability and economic development in a win-win-win for local governments, businesses, and the residents of the great State of Texas.

Throughout 2022, the Lone Star PACE team held over _____



Outreach included over _____

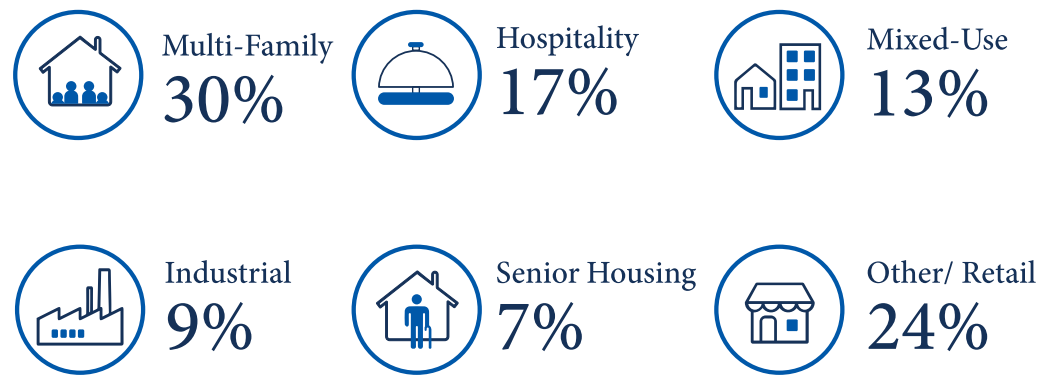


D. Facilitate Future PACE Funded Projects

The State of Texas has a goal of improving water conservation and energy efficiency, and PACE is an important tool to help cities and counties contribute to this mission without imposing any additional costs on taxpayers. Lone Star PACE is actively engaged in discussions with local jurisdictions throughout the state to implement or expand PACE programs and is working with a variety of stakeholders to educate and promote the benefits of PACE. These stakeholders include municipalities, property owners, lenders, and contractors. Lone Star PACE is dedicated to helping them understand the economic development and sustainability benefits of PACE and how it can be used to finance energy efficiency, water conservation, and renewable energy improvements.

PACE not only fills a vital role for governmental entities, it also often provides an important source of funding that is needed for property owners to complete their projects. For the full benefit of the PACE program to be realized, the program needs to be expanded and promoted to create the economies of scale for the various stakeholders. This is why Lone Star PACE promotes an open PACE model allowing property owners to select the lender and contractor of their choice with promotes healthy competition and expanded program outreach.

Types of project trend information



Environmental, Social and Governance:

PACE financing can help property owners achieve their environmental, social, and governance (ESG) goals in a number of ways. One of the main ways that PACE helps property owners meet the “E” in their ESG goals is by promoting the use of clean energy. By financing renewable energy upgrades, such as solar panels or energy efficient improvements including HVAC, PACE helps property owners reduce their utility consumption.

PACE financing can also help property owners improve the social aspect of their ESG goals by creating jobs in the clean energy sector. Many renewable energy upgrades require the installation and maintenance of new technology, which can create diverse job opportunities in these fields. Additionally, by reducing energy and water consumption, PACE can help property owners save money on their utility bills, which can be particularly beneficial for property owner cashflow.

In terms of governance, PACE can help property owners demonstrate their commitment to sustainable and responsible practices. By financing clean energy upgrades, property owners can show that they are taking an active role in addressing environmental concerns and working towards a more sustainable future. This can enhance the reputation of the property owner and increase the value of the property.

Overall, PACE is a useful tool for businesses that are looking to further their ESG goals. By financing sustainable building upgrades, businesses can reduce their carbon footprint, create jobs, and demonstrate their commitment to sustainability.



SECTION IV

2022-2023 Landscape

Lessons Learned

Lone Star PACE faced numerous challenges in 2022 but was able to adapt and use these challenges as opportunities to expand the reach of PACE in Texas. This included an increase in its PACE footprint, a higher number of completed transactions, and improved education and outreach programs. PACE is not just an economic development tool focused on sustainability, but also allowed commercial property owners access to more affordable financing to improve their cash flow. Additionally, PACE helped counties and cities increase economic development, revitalize older buildings, and create local jobs.



Local Business Community Partnership

Lone Star PACE has committed to building and strengthening relationships with partners throughout Texas, both in existing PACE-participating jurisdictions and in new municipalities that are interested in learning about PACE. To do this, Lone Star PACE engaged in a variety of outreach efforts, including private meetings, workshop presentations, and webinars with developers, property owners, and interested jurisdictions. These efforts helped Lone Star PACE connect with potential partners and educate them about the benefits of PACE and how it can be used to finance energy efficiency, renewable energy, and water conservation

improvements. Overall, Lone Star PACE is dedicated to helping its partners understand and take advantage of the benefits of PACE in order to improve the sustainability and competitiveness of their properties.



Local Lender Participation

Lone Star PACE educated local commercial banks in Texas about the opportunity to participate in PACE financing as senior lenders. By partnering with PACE lenders on projects, these banks expanded the capital available for energy and water efficiency projects, while still maintaining the flexibility to choose which projects align with their business strategies. This was a win-win situation for local banks, as it allows them to support energy and water efficiency projects without committing to being direct PACE lenders. Lone Star PACE is committed to working with banks and other lenders to help them understand the benefits of PACE and how they can participate in this financing mechanism to support the development of more sustainable and energy-efficient properties in Texas.



Capital Provider Expansion

In 2022, Lone Star PACE welcomed three new capital providers to its program, bringing the total number of approved PACE lenders to eighteen. This expansion of capital sources provided property

owners in Texas with more options for securing financing for energy and water efficiency improvements. The wider range of qualified lenders to choose from allowed property owners to shop around for the most favorable financing terms and select

the lender that best met their needs. Lone Star PACE is committed to working with its lender partners to provide property owners with access to affordable and flexible financing options that allow them to make qualifying upgrades to their properties.

Utility Conservation



Energy savings were calculated at

3,835,587
KWH
per year

equivalent to

3,007,456
pounds of coal burned

<https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>

Water savings were calculated at

195,930
GAL
per year



equivalent to water: contained in

297
Olympic size swimming pools

SECTION V

Lone Star PACE Leadership



Lee A. McCormick | President, Program Administrator

Lee is a registered Municipal Advisor with over 25+ years of experience in domestic and international finance.

Lee founded Lone Star PACE to serve as a Program Administrator to the cities and counties within the State of Texas that elect to implement the Property Assessed Clean Energy Program. He works with government and elected officials to help them realize energy and water conservation targets via the PACE program in their regions.

Lee received his BA in Finance, with honors, from Sam Houston State University and his MBA, with honors, from the University of Houston. Lee is a member of the Frisco Chamber of Commerce, Finance Committee for Prince of Peace Christian School, PACE Nation, Keeping PACE in Texas, and serves as an Advisor on the Department of Energy C-PACE Working Group.



John P. Stoecker | Program Administrator

John is a registered municipal advisor with 25+ years of successful mission critical and operations leadership. He has led the municipal advisory services on over 1,000 affordable housing, public benefit and economic development transactions totaling over \$30 billion. John recently retired as a lieutenant colonel from the Air Force Reserves after serving our country in numerous leadership roles in both combat and peacetime for the last 28 years; 16 of those years as a C-130 Pilot. He handles select legislative efforts in addition to working with city and county government officials, as needed.

John received his BS from Southeastern Oklahoma State University, with honors, and his MBA from the University of Southern California.



E. Glenn Silva | Chief Operating Officer, Program Administrator

Glenn has over 35 years in the real estate industry. He holds the CRE, Counselor of Real Estate, designation, is an MAI Member of the Appraisal Institute and is a Certified General Real Estate Appraiser in Texas. As President of KLM Realty Advisors, LLC, Glenn led his team in underwriting over \$18.8B in loans for B-Piece Investors of Commercial Mortgage Backed Securities. He oversees the daily operational activities of LSP and drives marketing, and growth opportunities within the cities and counties in Texas.

Glenn received his MRE in Land Economics and Real Estate (LERE) and BS in Agricultural Economics from Texas A&M University.



Ryan D. McCormick | Program Administrator

Ryan brings over ten years' experience in the mortgage and finance industry. Prior to joining LSP, Ryan worked as a Mortgage Loan Originator at Nation's Lending where he facilitated loan originations in eight states. He currently serves as one of the Program Administrators and assists in the marketing and educational seminars provided by LSP to contractors, lenders, local government and users of the PACE financing program.

Ryan received his BA in Marketing and Nonprofit Management from the University of North Texas.



Jean M. Gard | Office Manager, Executive Assistant

Jean has over 20 years' experience in tax-exempt financing programs. For five years, Jean oversaw the daily operations of a \$2.3 billion tax-exempt bond portfolio as a Treasury Analyst at Waste Management, Inc. Currently, Jean keeps the LSP team on-task as the Office Manager and Executive Assistant to President, Lee McCormick.

Ms. Gard graduated from the Sawyer School of Business in Milwaukee, Wisconsin after serving her country honorably in the United States Navy.



SECTION V Conclusion

Looking Forward

Program Expansion and Outreach

Lone Star PACE is committed to expanding its presence and impact throughout Texas in a controlled and sustainable way, with a focus on providing high-quality customer service and education. In 2023, the organization plans to increase its service footprint across the state and to continue its successful outreach initiatives, including the PACE 101 seminars and presentations to Economic Development Councils, Chambers of Commerce, contractors, and other influencer groups. These events will be held both in-person and online to ensure that as many interested parties as possible have the opportunity to learn about PACE programs and how they can benefit from them.

Future of PACE in 2023 and Beyond

Data from PACENation, a national stakeholder organization, indicates that PACE programs have continued to experience growth in popularity in Texas and across the United States. In 2022, there were over \$733 million in C-PACE transactions, representing a significant increase from previous years. This increase in activity demonstrates the growing interest and use of PACE programs throughout the country. High-value PACE projects in other states have attracted national attention, raising the profile of PACE and increasing interest in the program among multi-state organizations looking to invest in

commercial properties in Texas. These trends suggest that PACE is likely to continue to grow in popularity in the coming years.

The Lone Star PACE team delivered outstanding results, as it made important strides to help local governments, businesses, and communities reach their sustainability goals. Most stakeholders now expect the government and companies to play a role in decarbonizing the global economy. One needs to be honest about the fact that green products often come at a higher cost today. Bringing down this green premium by utilizing creative solutions like PACE will be essential for an orderly and cost-effective transition. LSP continues to help local governments provide a clear pathway and a consistent program across geographic locations and business sectors to catalyze capital for investment in sustainable buildings that will be essential to decarbonizing the global economy. By harnessing the power of both the public and private sectors, truly incredible things can be achieved.

Lone Star PACE is dedicated to ensuring the success of PACE programs throughout Texas and is committed to being a responsible steward of the program while working diligently to promote its growth and uptake in the state. By providing quality customer service, education, and outreach, Lone Star PACE is helping to make PACE a valuable resource for property owners, local governments, and other stakeholders across Texas.



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