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PACE Equity Deal First in Nation to Combine PACE Funding and an Opportunity Zone Fund.

MILWAUKEE, June 27, 2019 /PRNewswire/ — PACE Equity recently completed funding \$4.3 million for the construction of a new Hyatt House hotel in Rochester, Minnesota. It is notably the first Opportunity Zone fund project in the nation to include PACE funding to date. The new federal Opportunity Zone program, part of the December 2017 Tax Cuts and Jobs Act, was established to spark development in federally designated areas by offering investors generous tax incentives.

The 175-key extended-stay hotel will be located at 315 First Ave., near Mayo Clinic's downtown campus. The property was the site of the former American Legion Post 92, where Mayo Clinic founders William J. Mayo and Dr. Charles H. Mayo were members in the early 1900s. The new Hyatt House will serve the patients and clients of Mayo Clinic, filling a great need in the area.

The developers, California-based EKN Development Group and their co-developer, initially did their own energy study which qualified them for only \$400,000, 10 percent of the \$4.3 million they desired to utilize PACE for. They then turned to PACE Equity, whose engineering and regulatory expertise enabled them to commit up front – and ultimately fund – the full \$4.3 million. The remainder of the capital stack was provided by a construction loan of \$29.7 million and \$14.4 million equity.

"Using PACE Equity's funding to replace more expensive preferred equity to complete our capital stack was a game changer for us," said Ebbie Nakhjavani, the chief executive officer of EKN Development Group. "PACE Equity's capital not only boosted our overall returns, but their turnkey process and engineering prowess made working with them an easy choice."

PACE Equity's diligent preliminary analysis and up-front commitment are standard components of their turnkey service, which also includes a proprietary energy engineering study during their process. PACE Equity excels in pairing their capital with innovative and complex forms of financing such as historic and new markets tax credits, municipal ground lease structures and tax abatements.

"We are grateful for being able to participate in this project that represents another solid milestone for the industry. PACE Equity continues to hone its skills in complex real estate transactions having done the first commercial PACE projects with tax increment financing, new market tax credits, historic tax credits, and now an Opportunity Zone fund investment," said Beau Engman, PACE Equity founder.

By investing in an Opportunity Zone with PACE Equity funding, EKN and the co-developer were able to reduce their federal tax load and increase their investor return rate significantly. The developers can also take advantage of the additional perks the program offers, such as minimal limits on the types of properties or business investments that qualify and exemption from certain employment requirements.

Ground was broken for the Rochester Hyatt House Hotel on April 11, 2019, and the hotel is expected to be complete in summer 2020.

“For us to be part of the process with two quality developers has been a great opportunity. More importantly, to contribute to a project that is transformative in terms of growing Mayo Clinic’s health care campus is very fulfilling. We look forward to many more,” said PACE Equity Vice President of Hospitality Ron Adachi.

PACE Equity LLC

Jun 27, 2019

About PACE Equity

PACE Equity is the leading Property Assessed Clean Energy (PACE) funder of commercial real estate development projects in the U.S. PACE Equity is a resourceful addition to the capital stack to boost return on investment while making commercial buildings more sustainable through clean energy efficiencies. PACE Equity has unmatched expertise utilizing PACE in complex and innovative ways, having pioneered the use of PACE funding for projects in new construction, Opportunity Zones, historic and new markets tax credits, brownfield and those receiving a TIF. PACE Equity has a local presence in 20 markets and can fund projects on a national basis.