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[PACE Financing an Option for More Extensive Energy Efficiency Projects.]

For more extensive, longer-term energy efficiency projects, owners may consider property-assessed clean energy (PACE) financing — a financing vehicle that allows owners to borrow money from a local government and pay it back over time on the building's property tax bill. PACE is now available in 31 states covering about 80 percent of the population in the U.S. "We've seen a definite uptake in the commercial market (for PACE), despite the rocky regulatory landscape," says ACEEE's Bell.

NAESCO's Gilligan agrees. "We see a lot of potential in PACE," he says. "It's a little more complicated than other financing, and it requires a state law plus a local law plus a program to enable it. But if you can do PACE, you've got lower-cost money. PACE makes it easier for comprehensive retrofits."

A recent PACE project in Los Angeles illustrates PACE's potential — in 2013 the Hilton Los Angeles/Universal City completed $7 million in upgrades using PACE financing and $1 million in utility rebates. The 500,000-square-foot hotel replaced HVAC, elevators, controls, lighting, and restroom fixtures. The project has a return on investment of 78 percent and owners have calculated an increase in the value of the building of more than $30 million.

"It was an aging property that needed all kinds of upgrades," says Marky Moore, CEO of the Capital Review Group, which participated in the project. "They had big buy-in from their financial officer, and it turned out to be a stunning project. In the grand scheme of things a property is improved and value is better using a PACE program."

More Lenders

One of the reasons PACE, as well as other financing programs, including increasingly specialized loan programs on a city-by-city or state-by-state basis, are becoming more prevalent is that "we are seeing a lot more lenders looking to participate in the energy market than we did five to 10 years ago," says Goulding. "I believe this is a testament to the fact that lenders are realizing that many energy projects are excellent projects where the ROI can be accurately calculated."

That's all good news for facility managers — both in terms of the fact that there are more options for inexpensive money for energy efficiency, and also because it raises facility managers' profile in any organization as their expertise is appreciated and relied upon. In many organizations, it won't be the facility managers making the ultimate decision about the type of financing — but being well-versed in the options and knowing which will meet the organization's needs can be the main catalyst to getting an energy project funded. "Facility managers need to be involved in the discussion regarding layering in incentives and financing projects efficiently," says Moore. "It's the facility manager who really knows the property."

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