Retailer Tackles Energy Retrofit With PACE Financing Tool

Florida-based BrandSmart USA carried out a $2 million+ energy retrofit by employing the Property Assessed Clean Energy finance tool. Facility management service firm ABM managed the project for the retailer.

By Anne Cosgrove

BrandsMart USA, a retailer well known for helping shoppers find deals on home appliances and electronics, was seeking a cost-effective way to upgrade its West Palm Beach store. This time, BrandsMart is the recipient of the deal: low-cost financing for a comprehensive energy efficiency retrofit through the Florida Green Energy Works Program. BrandsMart received $2.225 million from a private investor for the project that will include new HVAC systems, energy efficient lighting and a new roof. ABM, one of the largest facility management services providers in the U.S., has managed the upgrade. It is the largest PACE (or "Property Assessed Clean Energy") project on the East Coast in 2015 and the largest ever in Florida and the broader Southeastern United States.

"This is a win-win for BrandsMart USA and our valued customers," said Lary Sinewitz, Executive Vice President, BrandsMart USA. "We selected ABM to make these critical infrastructure upgrades because of their proven track record as an industry leader in the energy services business and their ability to assist us through the financing aspect of the Florida Green Energy Works Program."

"We view PACE as a critical component of our growth strategy for Florida," said Chad Armstrong, Branch Manager of ABM Building Solutions, Boca Raton, FL. "We are proud of our partnership with BrandsMart, appreciative of the City of West Palm Beach for their foresight in supporting the Florida Green Energy Works Program and we will continue to seek ways to help BrandsMart and all of our clients improve the value of their property, increase net operating income, and energy efficiency without tapping into their own capital."

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The City of West Palm Beach was one of the first cities in Florida to join a PACE Program, along with other forward-thinking cities and counties to create the Florida Green Energy Works Program. According to PACENow, similar programs around the U.S have funded $123 million for 335 building upgrades creating an estimated 1,680 jobs.

Florida Green Energy Works, Florida's only "open market" PACE program, is managed by EcoCity Partners. It currently serves 13 communities throughout the state and has been approved to operate statewide. Cities and counties are eligible to join the Program and there is no cost for doing so.

"This project represents a major step toward fulfilling the Program goal for commercial enterprises of promoting cost-savings through higher energy-efficiency," said David Thatcher, Chair of the Board of the Florida Green Finance Authority and sponsor of the Program. "This is our largest commercial project to date and we look forward to many more, hopefully also expanding to include residential in the near future."

***Facility Executive* recently spoke with Bill Maurer, Senior Vice President, ABM Energy, ABM Building Solutions about his company's work with the PACE financing mechanism, which is becoming available in an increasing number of locations throughout the United States. Through its energy services division, ABM has delivered three PACE financed projects BrandSmart USA, as described above.**

FE: ***Is PACE a form of performance contracting?***

Maurer: Yes, it's under the umbrella of performance contracting. PACE is a financing mechanism for performance contracting. Traditionally, private institutions... privately held companies... they typically couldn't utilize the legislation to perform performance contracting, simply because they don't want to lease or the long-term obligation tied to them personally. The PACE financing model ties the loan to the particular building. So a building owner can do the improvements, and if they sell the property the loan stays with the building.

That's the major difference between PACE and other financing mechanisms. [Private sector] building owners could be doing performance contracting for last 40 years, but they had to use the traditional financing of an operating lease, which is tied to that individual or that individual's company.

FE: ***How does ABM fit into the PACE financing process?***

Maurer: When the PACE funding mechanism came into existence, there were approximately 40,000 ABM clients that had the potential to utilize the PACE model for facility infrastructure upgrades. Many are unaware of the funding mechanism, and we work to let them know how it works and what the benefits are.

Once we introduce the program to a client and they show interest, ABM conducts a preliminary energy analysis to provide the client what the potential opportunity looks like. Our team will visit the facility to conduct a quick energy analysis, and could say we can save 25-30% off the utility budget. As was the case with the BrandSmart USA project in West Palm Beach, FL, this utility savings would be used to fund the approximately $2 million of facility upgrades made.

Then we develop the contracts and ultimately implement the work. ABM self-performs approximately 80% of the mechanical and electrical work that we propose, and we'll subcontract out the remainder.

Meanwhile, we introduce the client to the appropriate PACE people. Ultimately, the financial deal is between the PACE developer and the client. And we are the orchestrator and implementer of the facility improvements.

FE: ***What can facility executives expect when contacting ABM for help with energy related improvements, using the PACE financing model?***

Maurer: ABM uses a two-step process [as outlined above]. Part of that first step is the preliminary energy analysis where our technicians visit the facility. This includes gathering the data on utilities, discovering equipment conditions, and asking the facility directors their pain points or biggest concerns. We also benchmark the client's utility costs against other similar, ENERGY STAR clients in the area. For instance, with the BrandSmart USA project, we looked at other retailer clients in the area.

By comparing to other similar facilities in the area, we'll know whether or not they're operating high. We present those numbers to the client, and also discuss what we've found related to the condition of their equipment and life expectancy left in them, and what the capital outlay is going to be. Next, we present a preliminary plan for improvements (e.g., replace lighting and HVAC; install an energy management system; upgrade insulation). As as example: we'll show that these improvements will reduce energy bills by 25% annually, and that the client can use that 25% to pay for the improvements. This presents to them the opportunity they have to utilize performance contracting — through PACE funding — to improve their facilities with zero capital outlay.

This is where we look for a "thumbs up or thumbs down" from the clients. If they give the thumbs up and are interested in making improvements using the PACE model, we then sign a letter of intent. The next step is to get our energy engineers in to conduct further analysis. From that detailed analysis, that's where the fixed pricing comes into play, what the guaranteed energy savings are going to be, what the operational savings are going to be, etc.

FE: ***Then, does ABM have discussions with PACE financiers?***

Maurer: We actually run that in parallel. Once the letter of intent is signed, we address the PACE financing in parallel. We would contact the PACE financiers and tell them about the project; and provide the information they need. We share the preliminary analysis with them, so they can start the process internally with the client. We don't wait until we present the final project to get PACE involved. We get them involved pretty early on in the process.

FE: ***Generally speaking, what is the profile of a facility that might benefit from PACE financing for energy improvements?***

Maurer: PACE is open to any private institution. At ABM, we typically profile facilities that have a utility spend of over $250,000 to $300,000 annually. And probably the next caveat is they have pain points and specific concerns. In talking to a facility director or operations manager, we'll ask: "What's your wish list? If your CFO came to you with $2 million, what would you fix with it?" The biggest thing is PACE has to be available in the facility's location. (To learn more about PACE, and if there's a program in your facility's locale, visit this page on the PACENation website.)

Bill Maurer, Sr. Vice President, ABM Energy, ABM Building Solutions

Share your thoughts on this article and PACE financing, in general, in the Comments section below or send your comments to the Editor at acosgrove@groupc.com.