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From the Denver Business Journal:

<https://www.bizjournals.com/denver/news/2018/06/14/colorado-clean-energy-office-climate-control.html>

Cover Story

Tired of office climate-control problems? This Colorado clean-energy program can help

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James Clark, co-founder of Room 214, a digital marketing agency in Boulder, used to warn clients to bring their coats to wintertime meetings at his office.

Summer meetings in the building, built in 1987 and purchased to house Room 214 three years ago, weren't much better.

"Our nicest conference room faces west, and in the late afternoon we couldn't use it. It was too hot. We'd have to go to another part of the building," Clark said.

The employees weren't happy with the HVAC systems either.

"When it was working, no one said anything. But when it wasn't working, we were buying fans and coolers and ice bags in the summer," Clark said.

"In the winter we plugged in a bunch of electric heaters and we were tripping switches. It was a constant struggle."

But this summer will be much, much better, he said.

That's due to a relatively new statewide financing program, called Colorado C-PACE, that Clark accessed to help pay for a wide range of energy-efficiency and sustainability improvements on the building.

C-PACE is short for Commercial Property Assessed Clean Energy program, which grew out of a 2013 law, officially launched in the spring of 2016, and is now catching fire among contractors, bankers and building owners.

>>VIDEO: More on the cover story: [Click here to see the improvements made by Room 214, and a chat with other players in this story.](#)



KATHLEEN LAVINE, DENVER BUSINESS JOURNAL
James Clark, right, and Jason Cormier, co-founders of Room 214 in Boulder, with solar panels financed through the C-PACE program.

In March, contractors finished installing a range of improvements, including energy-efficient lighting, a new heating and cooling system, solar-power panels on the building's new roof and electric-vehicle charging stations out front.

The improvements boosted the building's value by an estimated \$165,333 and will reduce annual greenhouse emissions associated with its operation by an estimated 1,869 tons, equivalent to taking 358 cars from the road.

And the best part of the deal, according to Clark?

The \$296,000 loan used to help pay for the improvements, along with rebates and discounts, will be paid back slowly — via annual payments to the Boulder County Assessor's office billed as part of the building's annual tax assessment.

Without that loan through the C-PACE program, the improvements likely would not have been done, Clark said.

"It would have been too cash-intensive, with lots of different loans and servicing debt and higher interest rates and then charging the company [Room 214] for higher rent," he said.

"Whoever put this [C-Pace] program together knew exactly what they were doing."

Across the U.S., 19 states have a C-PACE program operating in them, but Colorado is among the handful that have a statewide program.

"It's took a while to get things going, but it's going bonkers now," said Tracy Phillips, the director of the Colorado C-PACE program.

What does 'bonkers' look like?

As of early May, 16 projects, including Room 214's work, had been approved by the statewide board of directors for Colorado's New Energy Improvement District (NEID), Phillips said.

Those projects received \$17 million in financing. When they're done, the projects are expected to cut energy use by about 30 percent.

Another \$9 million worth of financing is expected to close this summer.

And behind that are \$82 million worth of projects moving through the pipeline, Phillips said.

"And that's just the ones we can put numbers to at this point," he said.

Across Colorado, 19 counties, home to about 64 percent of the state's commercial buildings that are larger than 10,000 square feet, have opted in to the program. Another seven counties are considering doing the same.

Last January, the C-PACE program notched two landmark projects, the biggest to date and the smallest.

The biggest was a \$7.1 million loan for a collection of improvements at two six-story buildings at Fiddlers Green Center in Greenwood Village. The two buildings received HVAC system upgrades, new lighting systems, and control systems that allow better monitoring of systems.

The smallest was a \$60,000 loan for a new 25 kilowatt solar power array on an organic family farm near Hotchkiss in Delta County on the Western Slope.

Phillips said he's particularly proud of the small solar power array.

“We had a hard time financing small projects until we had local banks get involved. Now we have nine local banks and we can reach the hard-to-reach places like the Western Slope and southern Colorado,” he said.

The financing details

The C-PACE program works like this:

A contractor or building owner identifies a project in a commercial building that would cut energy use or water use. The project is proposed to the statewide NEID’s board of directors, which can approve or deny the project based on its criteria.

Projects that get the nod from the NEID board can get up to 100 percent of the cost of the project — equipment, engineering and installation costs as well as “soft” costs such as audits or feasibility studies — financed through a list of banks and lenders also approved by the NEID board.

After the project is finished, the repayment of the loan, up to 20 years, is done via a special assessment from the county assessor’s office, with the payment made via a special lien placed on the building’s annual property tax bill.

Property taxes for commercial buildings are typically paid by tenants as part of their rent.

The county collects the annual assessment payment, keeps 1 percent of the money to cover its processing costs, and remits the rest to the statewide NEID special district, which in turn repays the lender.

If the building is sold before the repayment is finished, the assessment stays with the property and transfers to the new owner.

The Colorado C-PACE program requires mortgage holders to agree to the lien being placed on the building as part of the application for C-PACE funding.

It sounds complicated, but makes sense to the stakeholders who have taken the time to work through it.

Education is key

In fact, the biggest factor in the program’s slow start, according to those involved, has been explaining how it works to the various groups — building owners, contractors, banks and mortgage holders.

“The hardest part is just explaining it,” said Keirstin Beck, founder and principal of Integro, a company hired by C-PACE to tout the program among commercial property owners.

Beck also is an attorney with Foster Graham Milstein and Calisher.

Mortgage holders must OK the C-PACE assessment because the assessment is first in line for repayment, ahead of the mortgage holder, something the mortgage holders often balk at.

“Traditionally, when a mortgage goes into default the entire amount [of money] that was loaned is at risk — you could lose all of your investment, which is why they never want anyone to jump in front of the mortgage holder,” Beck said.

But the C-PACE loans are different, Beck said.

“It’s a new assessment placed on your property by the New Energy Improvement District. It’s just like having an assessment for a new sewer from a special district being placed on the property. They’re not being asked to be

subordinate," she said.

The program also solves a problem for building owners, who often hesitate to invest in building improvements that take a long time to pay off, or have a larger impact lowering the utility bills paid by tenants than they do on boosting the building's value for the owner, she said.

As a result, property owners faced with a list of capital improvements typically ignore energy- efficiency measures, Beck said.

But with C-PACE "we're now allowing the energy savings from the building to be captured, and only increasing the taxes due," she said.

Getting bankers on board also was key, and Integro's Beck played a crucial role in luring Denver-based ANB Bank, which has \$2.6 billion in assets and ranks in the top 6 percent of banks nationwide by size, to the program, said Matthew Baldner, the bank's regional president.

"She's one of the strongest believers in this program," Baldner said.

ANB Bank had closed three C-PACE loans by May 1, with more expected in the future, he said.

"They're not as difficult as people make them out to be. They're pretty straightforward deals once you understand them," he said.

The bank is looking at the C-PACE program loans as a new way to serve existing customers and attract new ones, Baldner said.

"We think there's going to be a lot of opportunity in this space," he said.

"We're locally owned, privately held and all the decisions get made here in Denver. We can go upstairs to our executive team and say our balance sheet can absorb our risk and we can do a significant dollar amount of these kinds of loans. It's a product that's available that can help our clients, and help clients who aren't ANB clients today," Baldner said.

Role of contractor

Often, its the contractor or consultant hired by the building owner who pitches projects to C-PACE.

That was the case for the biggest project to date, the \$7.1 million loan that helped pay for the projects at the two six-story office buildings at Fiddlers Green Center in Greenwood Village. The buildings total 414,000 square feet of space.

Phillip Saieg, regional director for tech services and energy and facility solutions for McKinstry, a consulting firm based in Seattle with an office in Golden, said the idea was a collaboration between the John Madden Company and McKinstry.

McKinstry has worked with the John Madden Co., which owns the buildings, for years. Then in 2016, an assessment concluded it was time to replace the HVAC system and controls.

"The equipment was behind its useful life, it was dying on the vine and needed to be replaced," Saieg said.

At the time, the C-PACE program was just getting off the ground.

"I suggested we take a step back and see, rather than just replacing the equipment and being out \$5 million to \$7 million, 'what if we did an energy audit, and bundle all the buildings' needs together?'" he said.

That approach fits perfectly into the C-PACE program. Projects with a shorter return on investment, such as replacing old light bulbs, can be coupled with projects that need more time to provide a return.

In the end, the buildings' \$7.1 million retrofit project — now underway — will include new roof-top units, controls, lights, water-efficient fixtures, next-generation energy use meters for all tenant spaces, LEED certification, and a 3-year Active Energy Management (AEM) program.

The upgrades are expected to save \$385,000 in annual utility bills and maintenance costs — a 30 percent savings.

Saieg said the project had two challenges.

The first was coming up with a list of individual projects that could save the most energy in the most cost-effective way, he said, adding that that part of the project is McKinstry's specialty.

The second, and more difficult challenge, was working through the C-PACE program.

"It's confusing, so we needed to get everyone's head wrapped around it," Saieg said.

"But, it sounds weird, but once people get it the light bulb goes on. After that, it was just go, go go. And the owner is now saying to me, 'Let's do it again.'"

Cathy Proctor
Reporter
Denver Business Journal

