

Pre-Packaged Commercial PACE Financing Solutions

2014 Building Technologies Office Peer Review



Pre-Packaged Menu: Energy-Efficiency & Renewable Energy Solutions.



Project Summary

Timeline:

Start date: October 1, 2013

Planned end date: September 30, 2016

Key Milestones

1. Generate PACE applications; 4/30/2014
2. Pre-Packaged Menu designed; 7/31/2014

Budget:

Total DOE \$ to date: \$129,094

Total cost-share \$ to date: \$130,864

Total future DOE \$: \$204,281

Total future cost-share \$: \$204,863

Target Market/Audience:

Small & medium commercial building owners of the following building types: office, retail, lodging, outpatient healthcare & food service.

Key Partners:

Trane
Clean Fund
University of Florida – Program for Resource Efficient Communities (PREC)

Project Goal:

The objective of this Project is to demonstrate a more streamlined method for facilitating commercial property assessed clean energy (PACE) retrofits. We will prove that energy efficiency performance of simple, pre-packaged technologies (e.g., lighting and heating, ventilation and air conditioning (HVAC)) can be accurately estimated without the need for a detailed energy audit.

Purpose and Objectives

Problem Statement: PACE financing has failed to scale for small commercial buildings due to disproportionate impact of deal complexity & transaction costs.

Target Market and Audience: Small commercial buildings in Palm Beach County

Impact of Project:

1. We will fund 25 retrofits across 5 building types.
2. A successful project will prove accuracy of pre-project estimates for multi-technology, pre-packaged retrofits and enable us to “do away with” the pre-project audit without compromising owner or investor confidence.
3. We will measure project results both quantitatively (e.g., number of projects) and qualitatively (accuracy of results). Intermediate and long-term success will be measured by evaluating replication within the PACE community.

Approach

Project Sourcing: Trane will source 25 projects through its sales channels. Eligible participants to be offered subsidized energy audits.

- Lead list: 200 commercial customers in Palm Beach/Martin County.
- Direct sales approach: Over 50 direct phone calls made
- 1-page marketing piece direct mail sent to existing customers
- All prospective customers referred to PACE program website

Menu Design: Ad hoc based on most common eligible retrofit measures:

- Focus on Florida climate conditions (initially): HVAC; Lighting; Controls
- Targeted measures by building type (food service, outpatient, lodging)

Financing: Pooled bond to reduce transaction costs.

Monitoring & Verification (M&V):

- Actual performance using AMI data
- Audit vs. historic energy consumption of comparable buildings.

Approach

Key Issues:

- Aggressive target: 25 projects to source & complete within a short period of time.
- Mitigate risk of falling short of this target: Expand target market to Broward County (nearly 20 times the size of West Palm Beach).

Distinctive Characteristics:

Aim to make small commercial retrofits:

- *As simple and streamlined as residential* efficiency projects.
- *As profitable as institutional* retrofits.

Progress and Accomplishments

Lessons Learned:

Thus far, difficulties were as anticipated:

Commercial building retrofits are typically budgeted – “we’ll wait ‘til it breaks.”

- Many not eligible for PACE (governmental, insufficient equity, etc.).
- Most Trane commercial customers are large facilities over 50,000 square feet.
- PACE-specific confusion: does PACE affect ability to refinance or sell property?

Adjusting The Sales Strategy:

- Increase target market: expand to Broward County (pop. 1.8 million)
- Work through mechanical and electrical contractors and Trane dealers that include dealers active in residential space (take advantage of overlap)
- Circulate PACE-related resources to counter misunderstanding

Progress and Accomplishments

Accomplishments:

- Still a relatively new project – deliverable deadline of April 30, 2014.

Potential Market Impact:

- Commercial PACE has scaled to over 30 states;
- Limited PACE-industry results to date (nationwide):
 - 26 active programs
 - \$63 million in funded projects
 - \$215 million in applications
- 50% of projects are “small” (less than \$100k).

PACE has potential to scale significantly if small retrofits become simpler and more cost-effective to implement.

Project Integration and Collaboration

Project Integration: The project is integrated with, and offered through, the Florida Green Energy Works commercial PACE Program managed by EcoCity Partners: www.floridagreenenergyworks.com

Partners, Subcontractors, and Collaborators:

- Trane: project sourcing, energy audits & construction
- Clean Fund: project finance through “pooled” PACE bond
- Univ. of Florida PREC: Ongoing M&V & statistical analysis



Energy Efficiency &
Renewable Energy



CLEAN:FUND



TRANE

UF UNIVERSITY of FLORIDA

Next Steps and Future Plans

Next Steps and Future Plans:

2014: Source Projects & Perform Pre-Project Audits
Design Pre-Packaged Menu

2015: Project Financing
Construct Projects

2016: M&V Study
Prepare White Paper & Share Results

REFERENCE SLIDES

Project Budget

Project Budget: \$669,102: (DOE: \$333,376 / Cost-Share: \$335,726).

Variances: No variances to date.

Cost to Date: We have not invoiced for any expenses to date.

Additional Funding: None.

Budget History

October 1 – FY2013 (past)		FY2014 (current)		FY2015 – September 30 (planned)	
DOE	Cost-share	DOE	Cost-share	DOE	Cost-share
129,094	\$130,864	\$111,114	\$111,836	\$93,167	\$93,027

Project Plan and Schedule

Project Schedule												
Project Start: October 1, 2013	Completed Work											
Projected End: September 30, 2016	Active Task (in progress work)											
	◆ Milestone/Deliverable (Originally Planned) use for missed milestones											
	◆ Milestone/Deliverable (Actual) use when met on time											
	FY2013				FY2014				FY2015			
Task	Q1 (Oct-Dec)	Q2 (Jan-Mar)	Q3 (Apr-Jun)	Q4 (Jul-Sep)	Q1 (Oct-Dec)	Q2 (Jan-Mar)	Q3 (Apr-Jun)	Q4 (Jul-Sep)	Q1 (Oct-Dec)	Q2 (Jan-Mar)	Q3 (Apr-Jun)	Q4 (Jul-Sep)
Past Work												
Q1 Milestone: Project Management Plan	◆	◆										
Q2 Milestone: Formed Community Action Team		◆	◆									
Current/Future Work												
Q3 Milestone: Generate PACE Applications			◆									
Q3 Milestone: Pre-Project Audits Performed			◆									
Q3 Milestone: Pre-Packaged Menu Designed				◆								
Q4 Milestone: PACE Projects Approved For Construction				◆								
Q6 Milestone: Close on PACE Project Financing					◆	◆						