

# C-PACE Program Case Study, Medical Office



## Property Overview

Constructed in 1979, the Shady Grove Professional Building is a five story, fifty six thousand square foot multi-tenant medical office building. The building has a mix of retail and office tenants on the first floor, and office tenants on floors 2 through 5. Each floor has a rectangular hallway around a central core with restrooms, elevators, stairwells, mechanical and electrical rooms.

## The Project

The owners of the Shady Grove Professional Building wanted to upgrade their building systems and improve tenant comfort, concurrent with improving the operating efficiency of this forty-year-old medical office building.

Recurrent developed a comprehensive strategy to install energy improvements, to include Heating, Ventilating and Air Conditioning systems, replacing boilers, updating & improving Building Automation Systems (BAS), and installing new interior and exterior lighting.

## The Objective

Implement the first Commercial Property Assessed Clean Energy (PACE) financed energy efficiency project in Montgomery County, and in the entire State of Maryland:

Recurrent identified and evaluated energy savings opportunities to improve the building systems and envelope, in order to achieve the building owner's goals in a cost effective manner. Recurrent completed the energy analysis, CPACE project development documentation, utility incentive applications, and coordinated with Greenworks Lending during the finance underwriting process.

## Project Details

Previous Annual Energy Usage (kwh)	165,024
Annual Energy Savings (kwh)	58,234
Electricity Unit Cost (\$/kwh)	0.1277
Annual Cost Savings	\$7,436
First Non-Energy Savings	\$14,612
Total First Year Savings	\$22,048
Simple Payback (in years)	10.68
Savings-to-Investment Ratio (SIR)	1.52

## The Results

- 38% energy cost savings achieved
- \$69,000 in utility incentives captured
- Eliminated \$700,000 in facility deficiencies
- Improved property value by \$900,000



38% Energy Savings

Property Value Increase of \$900K

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## Principal Project Partners

- ◆ Rock Grove Associates LTD Partnership
- ◆ Recurrent, LLC
- ◆ Montgomery County C-PACE
- ◆ PACE Financial Servicing
- ◆ Greenworks Lending

## Project Financing

Utilizing the financing tools available by Greenworks Lending through the Commercial PACE Program, Recurrent is installing energy efficiency improvements to the Comfort Inn Shady Grove and the adjacent Shady Grove Professional Building to include new Energy Star rated HVAC systems, state of the art digital controls, LED lighting, a new roof for the hotel, and boiler replacements for the Professional Building, with no out-of-pocket expense for building ownership.

## About the PACE Program

PACE is an innovative and affordable way for commercial, industrial and nonprofit building owners to pay for energy upgrades. C-PACE financing covers 100% of project costs with no money down and is repaid through an assessment on the property. The financing structure makes energy upgrades accessible and allows owners to immediately increase net positive operating cash flow while increasing the value of the property. Maryland passed the policy enabling C-PACE in May 2014.

*“The goal of the Commercial PACE program is to increase the number of buildings that take advantage of this innovative program. We hope this is the first of many building owners in the county to take advantage of the C-PACE program”,* notes Genevieve Sherman, Managing Director of PACE Financial Servicing.

### C-PACE requires 0% down and allows long payback periods

- Building owners can be cash flow positive from day 1
- Underwriting is focused on the underlying building
- C-PACE is accessible to those with non-investment grade credit

### C-PACE Allows Tremendous Flexibility

- Buildings that may sell before full payoff
- Buildings where tenants pay energy bill but owner finances upgrades
- Projects that have longer payback periods

### Immediate net operating income improvement

- Increases net operating income; all PACE projects are cash flow positive
- C-PACE doesn't tie up your balance sheet with debt
- Also increases value of underlying asset

To learn more about C-PACE programs in Maryland or Washington, DC, contact:

# RECURRENT

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