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PACE financing used for $3.3 million upgrade of downtown Columbus tower

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Recently, the owner of the 24-story, 360,000-square-foot PNC Plaza office tower, which is located in downtown Columbus, Ohio, wanted to upgrade the energy efficiency of the building. The upgrade would reposition PNC Plaza in the market for tenants and would enhance the building's overall value. The owner, however, already had a mortgage on the building, and its commercial credit provider did not have the capability or appetite to finance the energy efficiency upgrades.

Rather than give up on the energy efficiency strategy, the building's owner took advantage of Property Assessed Clean Energy (PACE) financing. PACE allows property owners to request that special assessments, which are collected in semi-annual installments with the property tax bill, be levied on their properties. As semi-annual property tax items associated with the property, not the particular owner, special assessments generally are classified as current obligations rather than debt obligations. The special assessments can be pledged to a capital provider to repay the up-front capital needed to acquire and construct "special energy improvement projects," which include advanced energy technologies like solar, wind and biomass generators, as well as energy efficiency upgrades such as efficient heating and cooling, lighting, building controls and roofing.

In this case, PNC Plaza's owner and building manager worked with an energy services company to create a bundle of projects that would improve the building's energy efficiency and fit within the definition of "special energy improvement projects." The projects included energy-efficient roofing, air controls and lighting controls.

By using PACE, the building owner was able to access $3.2 million dollars in up-front capital to fund the energy efficiency upgrades without taking on additional debt. Instead, special assessments were levied on the property and pledged to the Columbus-Franklin County Finance Authority to repay the up-front capital. Under the owner's triple-net leases, tenants will pay the special assessments but will also benefit from reduced energy bills. Additionally, the project is expected to save the owner about $187,000 per year.

