



## **PACE offers innovative financing for significant energy efficiency and renewable energy improvements**

January 31, 2020

Hospitals are some of the most energy-intensive buildings in the nation, consuming three to five times as much energy as high-end commercial hotels.<sup>[1]</sup> As energy costs rise and building sustainability concerns grow, energy efficiency and renewable energy initiatives can offer hospitals and other health care facilities a wide range of benefits, including substantial energy savings, decreased operating and maintenance costs, and increased net profits.

Because hospitals and other health care facilities are among the largest energy consumers, they are uniquely situated to realize above-average energy and energy-cost savings.<sup>[2]</sup> Practice Greenhealth, a nonprofit organization focused on sustainable health care, recently reported that 327 hospitals implementing energy initiatives in operating rooms alone saved over \$53 million in 2018, with a median savings of over \$100,000 per facility.<sup>[3]</sup>

Property Assessed Clean Energy (PACE) financing is available to assist hospitals and other health care facilities with securing long-term, fixed-rate financing for energy efficiency and renewable energy improvements, often without incurring debt or providing up-front capital.<sup>[4]</sup> In Ohio, qualifying energy improvements include HVAC upgrades, LED lighting, roofing, window and building insulation improvements, as well as solar photovoltaic, geothermal and biomass improvements.<sup>[5]</sup>

In a typical PACE transaction, a PACE lender provides initial capital (e.g., a loan, conduit revenue bond, etc.) to finance an energy improvement project, which is secured and repaid by special assessments levied on the underlying real property. PACE assessments are levied in the same manner as regular special assessments, appear on a property's existing property tax bill and are paid alongside regular property taxes. PACE assessments also transfer to new property owners upon sale, allowing for the

free transfer of assessed land.

Because PACE assessments are tied to real property rather than the improvements themselves, hospitals and other health care facilities can also pass assessment costs through to their tenants. Many triple net leases, for example, obligate tenants to pay the costs of real property taxes, including PACE assessments. As a direct result of energy improvements, tenants often enjoy lower utility costs, producing a win-win outcome for all parties. In some cases, direct utility savings can even offset the entire cost of PACE assessments.

PACE financing is flexible and can be combined with other project financing tools, including tax increment financing, bonds and opportunity zone programs. For new construction projects, PACE can also improve project cash flow by replacing higher rate preferred equity or mezzanine financing. For hospitals and other health care organizations seeking to finance renovations, rehabilitations or new construction projects, PACE financing is a valuable tool for funding efficient and sustainable development.<sup>[6]</sup>

---

[1] Bay Area Council Economic Institute, [Building a Climate-Smart Healthcare System for California](#) (March 2018); U.S. Energy Information Administration, [2012 Commercial Buildings Energy Consumption Survey: Energy Usage Summary](#) (Rev. March 2016).

[2] U.S. Dept. of Energy, [Renewables Make a Powerful Case as Hospital Energy Source](#) (July 2011).

[3] Practice Greenhealth, [2019 Sustainability Data](#).

[4] Because PACE financing uses special assessments to repay initial investment, health care facilities may not be required to recognize a debt.

[5] A simple energy audit can help health care facilities identify projects eligible for PACE financing.

[6] For more information, see Bricker & Eckler's [PACE Financing Resource Center](#).

# Authors

---



**Brooke A. Mangiarelli**

Associate

Columbus

614.227.4878

[bmangiarelli@bricker.com](mailto:bmangiarelli@bricker.com)