

Regulatory

PACE yourself ... for Denver's green roof measure

Election day 2017 brought with it some surprises. Readers of this publication were paying particularly close attention – regardless of which side of the issue you were on – to Denver's voter-led Green Roof Initiative. The measure passed by a solid margin from the kind of grassroots, voter-led effort that more typically result in "close ... but no" result. This was despite well-funded opposition from building owners, brokers and even the mayor. The measure applies to buildings over 25,000 square feet of total gross floor area.

Roof replacement typically provides only modest improvement of operations and maintenance or property value, especially for exist-



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ing building stock. Yet now it comes with a potentially steep added compliance cost. Faced with implementing this important new high hurdle for building owners, city leaders assembled a task force of two dozen stakeholders to wrestle with the practical rollout of the new ordinance. The

group represented building owners, operations and maintenance staff, varied contractors, energy and solar practitioners, architects, water and air-quality professionals and, of



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course, the initiative's proponents.

- **New recommended pathways.**

This fall, the Denver City Council will consider recommendations by the task force. They are expected to approve some important practical changes to the ordinance to ease the burden of implementation by offering several new pathways for compliance.

Recommended pathways for both existing and new building owners include new choices such as deep energy efficiency in the building, retro-commissioning, parking area canopy solar and combinations of roof and building energy-saving treatments. Also included is a suggested name change to Green Building Ordinance.

Some of the first fact gathering by the task force confirmed eligibility of green roof measures with the New Energy Improvement District, the group established in 2016 by state statute to oversee and implement the state's new Commercial Property Assessed Clean Energy financing program. The task force learned that, as a practical matter, most, if not all, compliance measures and pathways it was considering were eligible for funding with C-PACE.

Of course, no one likes surprise costs, especially not in the market-driven economics of owning or investing in commercial real

estate. So how might a building owner faced with a roof upgrade or replacement be able to turn compliance into a win?

Because vegetative green roofs are so seldom in use, they tend to be dismissed as quirky and costly. However understanding how vegetative green roofs save operations and maintenance costs, greatly lengthen the life of roofing and bring along other sustainability benefits makes them worth learning more about before jumping to conclusions. Also, new recommendations by the task force make combining smaller areas of vegetative roofs with other measures a practical pathway. Depending on the building type and roof design, this can provide an interesting solution or site amenity and is a conversation worth having with experts in the field.

• **A win for the building owner?** Net present value on some of these measures is, in fact, impressive, led by retro-commissioning, on-site solar and LED lighting. So now the added cost burden of compliance may generate significant operations and maintenance cost savings. In the case of on-site solar, savings come from lower energy costs and typically are coupled with 20-year revenue streams from Renewable Energy Credit payments and tax benefits that can reduce the cost of solar dramatically.

Yet even with respectable return on investment benefits, if added corporate capital is required for a surprise cost event, that capital

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Tom Slabe, Green Roofs of Colorado

The U.S. Environmental Protection Agency Region 8 headquarters' rooftop in Denver

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must now be weighed against other opportunity costs. It often is better to use capital to expand business rather than improve facilities.

That is where the use of C-PACE financing can essentially erase the impact of compliance on the building owner or investor, sometimes turning compliance into a legitimate win – a win even the accountants can underscore. Financing energy improvements with C-PACE provides 100 percent of funds, no parent/owner guaranty and terms up to 25 years. The long-term financing often results in savings from energy and financial benefits that are higher

than the additional annual property tax cost. That means the owner realizes first year gain rather than loss, with zero upfront capital.

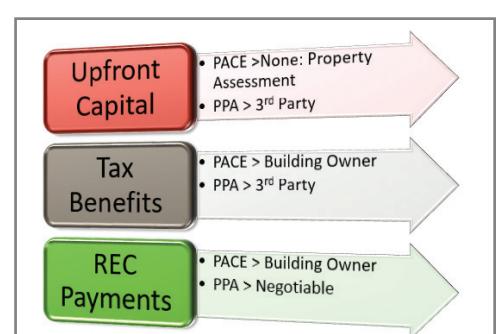
- **Follow the money.** When financing on-site solar, the significant tax benefits become important, typically offsetting more than 50 percent of solar's costs. When the building owner can monetize all the tax equity, PACE financing can be used to capture all of those tax benefits and increase the return on investment. In fact, when roofing upgrades or other improvements such as a covered car canopy are necessary to support solar, many tax advisers conclude that those costs can be offset as necessary for solar – essen-

tially getting 50-plus percent rebate on roofing or car canopy.

A key reason power purchase agreements are widely used is to achieve lower-cost energy with no use of business capital. In a PPA, the tax benefits flow to the third-party owner of the system. Some of those savings are shared with the building owner to lower the cost of energy.

However, PACE financing does not require any upfront capital. And since PACE debt increases property tax, it stays with the property upon sale and provides a fixed or hedged cost of energy for more than 20 years, plus all tax and incentive benefits.

As you brace yourself for Denver's



John Bringenberg

new Green Roof Ordinance, you may now find new options and pathways to meet your needs. Additionally, Colorado's new C-PACE program can in some cases erase the capital burden of compliance. ▲

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tilating and air-conditioning system operation, building controls and benchmarking, low-cost improvements, water efficiency, indoor air and environmental quality, facility electrical systems,

and sustainable operations and maintenance practices. Training is available at two levels and upon successful completion of the program, graduates receive a training certificate of completion. Students can take an optional exam at the end

of the training series and receive the Certified Building Operator designation, which is aligned with American National Standards Institute/International Organization for Standardization Standard 17024 for certification programs.

- **Sustainability facility professional.** This training is provided by local chapters of the International Facility Management Association and is targeted to facility managers and building operators. The training includes classroom and online instruction on

organizational strategies for sustainability, tenant engagement, communication, finance and portfolio management, energy and water, materials and resources, indoor environmental quality and waste, and site impacts.

- **BOMI High Performance Certificate.** This training is provided through local chapters of the Building Owners and Managers Institute International and is targeted to building managers. The training includes classroom and online courses in HVAC systems operation, benchmarking, efficient lighting, water efficiency, portfolio management, tenant engagement and renewable energy.

- **GPRO Operations & Maintenance Essentials.** Offered by local chapters of the U.S. Green Building Council, this training is targeted to property managers and building operators. Coursework includes classroom instruction on fundamentals of green buildings and operations including construction management, electrical systems, HVAC and refrigeration, operations and maintenance.

- **BPI Certified Multifamily Building Operator.** The Building Performance Institute provides certification targeted to operations and maintenance of multifamily buildings. Classroom training is not required. However, individuals who complete training typically perform better on the certification exam. Topics covered include multifamily building operations and maintenance, energy and water efficiency, occupant health and safety, comfort and durability of materials.

In conclusion, the building operator profession is rapidly changing and the demand for trained and credentialed operators is expected to increase substantially over the next 20 years. Building owners and facility managers can get ahead of this change by adopting a workforce development program that focuses on their building operations staff and provides a return on their investment with lower operating costs. Various training and certification programs are available and can provide your staff the training and credentials required to meet your facility needs today and into the future. ▲



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