

Energy Efficiency through Innovative Financing

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Do your energy costs keep you up at night? Do aging systems keep your utility spend high while other needs draw scarce capital resources? You are not alone. Major HVAC, lighting and other upgrades can be capital intensive with a long payback that does not justify making them a short-term priority in the near term. Making long-term investments in your manufacturing or other facilities can also be problematic when you are unsure if you will be selling that property during the 20 years it may take to recoup the cost of such investments.

With these challenges in mind, state and municipal governments have worked to create PACE programs in markets across the nation. PACE, or [Property Assessed Clean Energy](#), is a program that makes it possible for manufacturing and other commercial property owners to obtain low-cost, long-term financing for conservation projects with a guaranteed payback over the life of the deal. And the obligation stays with the building if sold. Payments to the lenders are made through annual assessments on the property tax bill of the facility, allowing owners to think past their projected ownership of the property. The payments are made as the actual cost savings from the upgrades are realized.

PACE financing not only helps you pay for needed upgrades without upfront costs, but the environmental benefits can be marketable too. Organizations find that employees and customers feel good about working for and buying from organizations that are being proactive about energy usage. But, each state must pass PACE-enabling legislation. Still in its infancy, the Milwaukee program just completed its first project, a \$1.9 million renovation of a building there. Property Assessed Clean Energy funded \$662,000 worth of energy efficiency improvements, resulting in an estimated energy savings of \$1.34 million over the course of the 18-year payback period.

Manufacturers interested in exploring this option can start by looking up which programs are [available by state](#) or speaking with an attorney or public affairs professional who is well versed in this area.

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