

Category: 2-Meeting the Challenge of a Difficult Job (Specialty Contractor)

Joint Submission By: LONG Building Technologies and W.E. O'Neil

Project Name: W.E. O'Neil C-PACE Retrofit

C-PACE Paves the Way

In a drab, industrial area, one building stands modern, vibrant, and captivating: W.E. O'Neil. But the path to get there was not always smooth. Renovations contain many inherent challenges but financing is one of the greatest, as was the case with the W.E. O'Neil retrofit. Luckily, there is a new system out there: C-PACE. W.E. O'Neil was able to take a calculated risk that paid off thanks to their trusted partner LONG Building Technologies and have become the owner and general contractor of the first retrofitted building to be funded by the C-PACE program in the City and County of Denver.

Todd Guthrie, President of W.E. O'Neil Construction Company of Colorado, was familiar with C-PACE when LONG suggested utilizing the program while they were considering a remodel of their Colorado location. The W.E. O'Neil office was built in the late 1960's. When they purchased the building in 2005, they renovated it. The state of the building market during that time constituted taking the dilapidated building and making essential upgrades only. W.E. O'Neil is a 4th generation employee-owned company whose core value of maintaining shareholder value is imperative when making decisions that affect profitability and result in return on equity. Remaining a strong company during market downturns afforded W.E. O'Neil the opportunity to address the infrastructure issues and the outdated equipment that inhibited an optimal work environment.

At the onset of the project, employees could not make a phone call over the loud fan that overcompensated the near-ancient mechanical equipment. The hard wall construction separating teammates from each other and the battle with poor temperature control were all problems of natural progression that could not be overlooked forever. Todd and the leadership team grappled with the thought of re-locating team members from a long-standing, centrally located home-base in the city to other options in the Denver Metro Area. They also had to consider the high capital expenditures for mechanical, electrical, and controls equipment that could threaten shareholder value. Traditional financing was not appealing for this project since W.E. O'Neil owns the building outright and did not want debt reflected on the balance sheet. After considering all their

options, W.E. O’Neil decided that partnering with LONG and the C-PACE program was the right solution.

Todd stated: “C-PACE appealed to us because it’s a new, extremely useful tool that helped us modernize our building without tapping into our capital budget, since the financing covers 100% of the project cost.” C-PACE (Commercial Property Assessed Clean Energy) is a funding mechanism that allows building owners to fund 100% of the cost of energy efficiency and water conservation upgrades. The owner can get 20-year financing through private equity (not state money) and repay it through a voluntary property assessment. C-PACE provides the opportunity to design a retrofit to meet all the building’s needs and to use the energy savings to pay for the vast majority of the project. It is not debt in the traditional sense. It is a trade-off of expenses; reduced energy cost balanced with increased property assessment.

Because C-PACE was recently passed as legislation in Colorado it requires a new process, which presents unique and unseen obstacles that need to be overcome. For instance, C-PACE requires energy engineering to calculate the savings that will be received over the life of the project. Using the energy audit, LONG coordinated a team to determine the budget of the project and its estimated cost. This up-front work proved valuable to decide what was possible. C-PACE also requires a state administrator to review the engineering, which LONG and its partners coordinate. In fact, LONG fulfills all the requirements of the state administrator such as documentation, the public hearing time of 30 days, and the final approval. All of these are initial labor-intensive challenges that LONG took on by navigating the C-PACE process for W.E. O’Neil.

With C-PACE, there is a challenge in integrating multiple fields including energy savings, commercial finance, and mechanical systems. As LONG develops a project like W.E. O’Neil, there is constant back and forth between the different parties to consider the options and draw out the best plan. Finding the common ground between the owner’s needs, the program’s requirements, and the lender’s goals is a challenge. An advantage LONG brings is the expertise in mechanical systems capable of delivering a solution to all three groups. Once the plan is in place, it must be approved by the engineers, the state administrator, and both the mortgage holder and PACE lender. Each group has their own review process, different timelines, and lots of questions. Helping each party understand the needs and concerns of the others is especially difficult with a new program. Because C-PACE is innovative, there is not a “normal” way of

doing business. Many banks which hold commercial mortgages are not familiar with C-PACE and LONG helps to inform them and sell the idea.

After the planning process, LONG and W.E. O’Neil tackled numerous construction challenges. For example, coordinating the new roof, the mechanical and electrical work, and the solar installation efficiently to prevent doubling of costs. There were also typical Colorado weather-related challenges. On the day of the rooftop unit (RTU) installation, there was snow on the ground and freezing conditions. A tight timeline meant occupants would be in the office the next morning and would have faced problems with frozen pipes and a freezing workplace environment. Fortunately, the mechanical contractor and crane operator worked together until 10 PM that evening and were able to get the RTU’s started up and running within one day.

The timing of all the components to a C-PACE project is an obstacle familiar to general contractors. With a sequence of dependent tasks, any delay creates changes and issues downstream. C-PACE requires a 30-day notice of public hearing, which created a delay right before the loan closed. Mid-stream evaluation by the C-PACE administrator forced revisiting the energy engineering, which requires financial updates.

Along with this, working to schedule highly skilled labor is a constant challenge. W.E. O’Neil’s experience in project management was an integral piece to successfully phasing the project and staying on schedule. Keeping employee morale and productivity in mind, they minimized discomfort during working hours by providing noise cancelling headphones and adding dust protection in specific areas to keep air clean. W.E. O’Neil truly understands the impact renovations can have on people in the workplace and acts to diminish them.

Overcoming these challenges yielded great results for W.E. O’Neil. Todd Guthrie stated: “As a result of the improvements, our staff will be more comfortable, our building will be more valuable, and we’ll reduce greenhouse gas emissions in our community.” Not only did they save 24% on energy consumption, which equates to \$156,000 savings in energy costs, but their property value increased 15%. The higher efficiency HVAC units can reach optimal temperatures quickly and allow for improved temperature control. In their new open-space layout this is critical. Also important is the improved lighting and its impact on employee comfort and productivity.

One thing to note is C-PACE allows for building owners to use up to 20% of the loan amount on non-energy related upgrades such as new bathroom facilities, and cosmetic upgrades

to a lobby. In this scenario C-PACE allowed W.E. O’Neil to use their capital budget, which could have been consumed on equipment, on a full building remodel. W.E. O’Neil and LONG’s creative problem-solving included retrofitting multiple existing lighting fixtures when upgrading to LED, which led to more capital improvements money to be spent in other places, like cleaning up the storefront of the office to give a positive visual impact for the community.

The W.E. O’Neil office retrofit project not only met company values but exceeded upon the promises that are made within those values: Integrity, Our People are our Competitive Edge, Teamwork, Shareholder Value, Customer Satisfaction, and Quality. Todd Guthrie said about the project: “I’m proud of the finished product and our employees are very pleased with the atmosphere in comparison to what they had before. We take the sustainability aspect seriously and it speaks to our core values. We made a smart decision on how we financed the improvements and accomplished more than we would have had we not chosen C-PACE.” C-PACE made a way to carry on the legacy that defines W.E. O’Neil, caring for their employees and customers while being a steward of their building and their finances.

The success of this project has demonstrated the value and benefits of C-PACE and strengthened its reputation state-wide. A press release from the Colorado Energy Office on July 31st, 2017 shares this success and reinforces the uniqueness of the retrofit. Being the first project completed, the process was bumpy, but LONG and W.E. O’Neil were able to blaze the trail and create a new option for building owners in the future.











