

\$6.8 Million PACE Funded Hotel Retrofit in Pasadena:

dusitD2 constance pasadena hotel gets an energy efficiency makeover



Summary

A \$6.8 million PACE (Property Assessed Clean Energy) bond financed the energy efficiency component of a full scale renovation of the dusitD2 constance pasadena hotel in downtown Pasadena, CA. PACE is 100%, long-term, fixed-rate financing repaid through a property tax assessment tied to the property. The hotel used PACE for comprehensive energy efficiency improvements that included new heating and air-conditioning equipment, LED lighting, elevator motors and controls, a water system overhaul, and insulation. As a result, the property will reduce its electricity use by over 200,000 kWh and water consumption by an estimated 3.2 million gallons annually. This comprehensive renovation transforms the former Constance Hotel into the luxury dusitD2 boutique hotel. Further additions are planned in a second phase including restaurants, office, swimming pool and parking. The project's success is due to excellent team work and co-operation between the property owner financiers, project developers, brand management team, architects, contractors, and Los Angeles County.

Project Highlights

Total PACE Project Size: \$6.8 million
Energy Savings: >200,00 kWh annually
Water Reduction: >3,200,000 gallons annually
Term: 20 years



Commercial PACE



structured finance ASSOCIATES





The Concept

The original Constance Hotel, a landmark property with a neoclassical style, in downtown Pasadena's historic district was built in 1926. Eighty years later it had fallen into disrepair and required a significant investment to bring it up to the latest standards expected by business travelers while retaining its historic features. As an example, the hotel still had its original coal fired water boiler, six gallon capacity toilets and many rooms were fitted with manually operated window HVAC units. In 2007, Singpoli Capital Corporation, a California-based company that invests in a wide range of commercial real estate properties, from Class A office buildings to retail centers and hotels, acquired the property and began a very detailed planning process for its restoration. Park Place Commercial LP was set up by Singpoli Capital specifically to handle the redevelopment of the Pasadena hotel.

William Chu, representative for Park Place Commercial, stated "We are committed to ensuring that the dusitD2 hotel maintains its historic character and aesthetics while having the highest standards of energy efficiency and water conservation measures."

The property owner's vision was to turn the former Constance Hotel into a premier multi-use property with a modern hotel, restaurants, retail, offices and parking, while preserving the character of the building. The new Constance Hotel complex will consist of three stories of underground parking and five stories of retail and office space. The property is conveniently situated in the heart of Pasadena's business district at Lake Avenue and Colorado Boulevard.

Dusit International, a prestigious Bangkok-based hotel and resort company with 22 properties in South East Asia, will operate the Constance Hotel, its first North American property, under a new dusitD2 luxury brand extension for the group. The dusitD2 is a contemporary hotel brand with a distinct combination of cutting-edge design, high-tech connectivity, and modern conveniences for a new generation of travelers.

The property owner was introduced to PACE financing by K2 Clean Energy Capital, a California based PACE project developer. The building owner immediately recognized the value of PACE financing as it freed up internal capital and offered a long-term low-interest financing.

Project Goals

The PACE component represented only a fraction of a \$60-million hotel complex makeover. The PACE bond financed the energy efficiency improvements to the hotel building. The key challenge for the owner was to incorporate state of the art energy efficiency technology and to preserve the historic character of the building which placed some constraints on the measures which were deployed. The overall goal was to improve the building performance, reduce operating costs and the carbon footprint.

Hotel Design

The new hotel complex was designed by Pacific Design Group, a global broad-based design practice focusing on master planning and high-tech, healthcare, financial and mixed-use buildings. Hong Kong interior designer, Joey Ho, created contemporary Asian style with a neighborhood feel, that includes a futuristic-looking bar and a restaurant with a communal table.

Hotel Ownership

Park Place Commercial, LP is a limited partnership that was formed by Singpoli Capital to own and to redevelop a parcel at 908 - 940 E. Colorado Blvd, Pasadena, California, creating an upscale boutique hotel and new 5 story retail / office building.

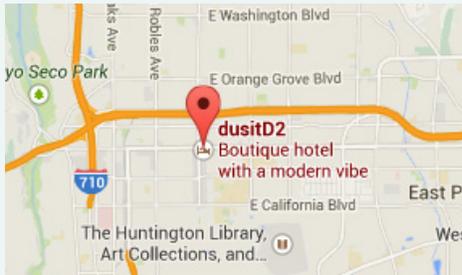
Project Financing

PACE Assessment: \$6,860,000
Term: 20

Building Details

Hotel Area: 69,125 sq ft
Rooms: 161 guest rooms
Original construction: 1926
Upgraded and retrofitted: 2014

Phase 2 additions:
Retail and dining: 20,000 Sq. Ft.
Parking garage with 125 stalls



Project goals, continued

Specific goals behind the PACE financed energy efficiency retrofit were:

- Replace old and obsolete equipment: HVAC, incandescent lighting, and the plumbing systems
- Deploy LED lighting and a new highly efficient HVAC system
- Implement a central control of HVAC and lighting system to reduce wasted energy in unoccupied rooms
- Increase guest comfort through sophisticated in room lighting and heating and cooling controls
- Upgrade of the existing elevators and the add a new highly energy efficient elevator
- Decrease water use without detracting from the guest experience.

Property Assessed Clean Energy (PACE) Financing

PACE financing is an effective way for commercial property owners to pay for energy efficiency upgrades, on-site renewable energy projects, and water conservation measures. PACE funding can cover 100% of a project's costs, and is repaid with an assessment over a term of up to 20 years.

PACE financing is broadly applicable to commercial, industrial, agricultural, multi-family housing and non-profit properties. To date, nearly 300 commercial buildings used PACE financing to pay for energy saving and producing measures, bringing the total commercial PACE market to over \$100MM by the end of 2014. Nationally, the size of commercial PACE projects has ranged from \$2,000 to \$7 million proving its versatility. PACE is available in more than eight hundred municipalities across the country, including the Los Angeles County.

“PACE financing for the dusicD2 constance pasadena marks another significant step forward in the development of PACE within Los Angeles County.” said Howard Choy, General Manager of the Office of Sustainability for the County of Los Angeles.

The property owner cited the following reasons for using PACE financing:

- PACE provided up-front financing which freed up to \$6.8MM worth of working capital
- The deal was closed within 2 months of the initial application because of the excellent co-operation and communications between all parties
- PACE is transferable upon sale because the assessment is tied to the property and not the owner
- PACE financing was treated as an off-balance sheet expense, preserving borrowing capacity for other capital projects.

Project Developer

K2 Clean Energy Capital, based in California, provides a turn-key solution to commercial building owners to develop, finance, and execute solar energy and energy efficiency projects. The team has a strong engineering and construction background and performs the energy audits and develops a model of the savings. This turnkey approach enables the building owner to expedite the financing process and to achieve the maximum savings with the best available financing solutions

Financing Partner

Structured Finance Associates, LLC, which specializes in PACE project financing, arranged funding for the project. SFA empowers customers to reduce their operating expenses, increase their cash flow and add value to their properties while decreasing energy usage and lowering their carbon footprint. Founded in 2010, SFA, has offices in San Diego, Los Angeles, Connecticut and Washington, DC and has worked with customers across the country.

Commercial PACE Program

LA County's PACE program provides property owners with no-cost assistance from professional project developers which results in successful completion of large and comprehensive projects.



Project Financing

K2 Clean Energy Capital played an integral part educating the building owner about PACE, determining the scope of eligible improvements, modelling the energy and water savings, executing the energy audits and identify the utility rebates and incentives. K2 worked with the county on the documentation submittals and supported the financial underwriting requirements. This helped to speed up the application approval through LA County. William Chu, CFO of Singpoli Pacifica, noted “We are pleased to have had K2 Clean Energy Capital to guide us through the PACE process from the energy audits through to the project funding.”

Structured Finance Associates, a national specialized finance company was selected as the funding source and underwriter. With the closing of the dusicD2 constance pasadena PACE bond, the total amount of PACE funding initiated, structured and closed by Structured Finance Associates in Los Angeles County exceeds \$14 million making Los Angeles County one of the largest commercial PACE programs in the United States.

This PACE transaction was closed within 60 days from the initial application to LA County. The PACE bond was purchased by an institutional investor and had a term of 20 years.

Contractors and Improvements

The energy efficiency and water conservation upgrades which exceed CA Title 24 requirements by >25% for energy use include:

- Daikin HVAC system and Inncom control system
- George Kovacs LED lighting with Lutron controls
- Water efficient bathroom fixtures including Toto dual flush toilets
- Building envelope: insulation was completely upgraded for the roof and energy saving insulation plantation shutters were added to all guest rooms
- The existing elevator system was overhauled, with the addition of a new state-of-the-art Kone EcoSpace freight elevator.

The work on the property was completed by Singpoli Pacifica, a general construction company owned by Singpoli Capital.

Project Success

PACE financing enabled the building owner to finance an energy efficiency overhaul of a beautiful historic building in downtown Pasadena, updating the core infrastructure of the building with state of the art equipment. This energy efficiency retrofit is consistent with the larger development scope on Colorado and Lake pioneered by the Singpoli Capital. As a result, dusicD2 constance pasadena hotel stands out among other hotels in the area because it combines historical character with unique contemporary Asian décor and the highest level of guest comfort.

Jonathan Pickering, co-founder of K2 Clean Energy Capital, said “We were delighted to have work with Singpoli’s team on this landmark property and applaud them on their commitment to incorporate the latest state-of-the-art energy efficiency technology into the historic hotel. This project represents the true spirit of the PACE program in updating an old commercial building and vastly improving the infrastructure to meet and beat current energy efficiency standards.”

Principal Project Partners

LA County Commercial PACE Program

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