



*1225 North Loop Investments, Inc. utilized the City of Houston's PACE program to invest \$1.3M in property upgrades, making 1225 North Loop West the first commercial office building to implement a TX-PACE project.*

### THE PROBLEM:

The 1984 commercial office high-rise had 35-year-old chillers, an antiquated control system, and inefficient lighting. The chiller replacement parts were costly and difficult to find and the ongoing reliability issues of the aging equipment were haunting for staff and ownership. Management explored replacement options but hesitated at the substantial upfront capital outlay.



According to the US Energy Information Administration, the average office building spends \$1.51 per square foot on energy costs. Just slightly above the nationwide average, the property's management initiated a preliminary energy analysis and concluded that upgrading the aging equipment using operational savings created a realistic opportunity.

### THE PACE SOLUTION:

John Myers, President of Peloton Commercial Real Estate, introduced the TX-PACE concept to General Manager Alessandro Clerici at 1225 North Loop Investments. As a Keeping PACE in Texas member who helped create the PACE in a Box toolkit, Myers suggested utilizing TX-PACE to redirect current utility expenses and eliminate the need for diverting core capital. The savings report indicated that the priority mechanical equipment would qualify for the program if it was paired with the inclusion of LED lighting throughout the entire facility. By grouping together efficiency measures with short and long-term paybacks, the projected energy savings would exceed the cost of the project over the 20-year term.

The project includes two new chillers, variable speed drives, air handlers, interior and exterior LED lighting, and building controls. The project will reduce utility consumption by 38% and provide \$3.66 million in savings over the 20-year term. The lasting benefits of steadier budgets, more comfortable work environments, and diminished equipment emergencies will positively impact both ownership and tenants.

Property Manager Seth Eslami explains, "Our priority was the mechanical equipment upgrade. The efficiency component was just an added benefit. I am hopeful that this project will help more people see that TX-PACE is not a typical 'green' program focused solely on saving the environment, but instead has a focus on improving the financial side of a business. TX-PACE can upgrade a building and can pay for itself."

### COMMUNITY IMPACT:

"Houston is the energy capital of the world and has a responsibility to lead by example and use our energy resources as efficiently as possible," said Houston Mayor Sylvester Turner.

## PROJECT OVERVIEW

### PROJECT PARTNERS

Financial Lender: Petros PACE  
Finance  
Advisor: PACE Houston  
Project Manager: Stellar International

### PROJECT FINANCING

Total Assessment: \$1,304,352  
Utility Incentives: \$30,000  
Term: 20 years

### BUILDING DETAILS

Square footage: 200,418  
Year Built: 1984

### IMPACT

Anticipated annual utility use  
reduction of 38%

### IMPROVEMENTS

Two Chillers, Building Automation  
System, Complete LED Fixture  
Upgrade

## PACE IN TEXAS

Texas PACE answers the question, "How are we going to pay for it?" and is transforming how developers, owners, and contractors look at projects, proving that there is a clear path forward for energy efficiency, distributed generation, water use reduction, and resiliency projects in existing buildings.

## CONTACT

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FINANCING SCENARIO COMPARISON SUMMARY			
	Self-Funded	Conventional Loan	TX-PACE Loan
Out-of-Pocket Investment	(\$1,300,000)	(\$260,000)	\$0
Savings (First Year)	\$200,000	\$200,000	\$200,000
Annual Payment	\$0	(\$282,803)	(\$118,437)
Cash Flow Impact Year 1	(\$1,100,000)	(\$342,803)	\$81,563
Net Project Cash Flow Year 2	(\$900,000)	(\$425,607)	\$163,126
Years to Positive Project Cashflow	6.5	8.4	IMMEDIATE
Debt Service Over Finance Term	0	(1,414,017)	(2,368,742)
10-Year Project NPV	\$172,017	\$20,747	\$600,310
Property Value Increase (20-Year NPV)	\$993,984	\$842,714	\$935,520

## CITY OF HOUSTON

The City of Houston's TX-PACE program is based on the PACE in a Box model, created by over 130 volunteer stakeholders for Texas. The market-based, flexible TX-PACE program enables property owners to do business with the parties of their choosing at the lowest possible administrative cost. The program includes a high level of consumer protection to ensure that the projects will deliver the anticipated savings.

[www.texaspaceauthority.org/houston-pace](http://www.texaspaceauthority.org/houston-pace)

## 1225 NORTH LOOP INVESTMENTS, INC.

1225 North Loop Investments, Inc., a privately held real estate investment group, owns 1225 North Loop West. The 11-story, Class A property that offices up to 400 people is managed by Stellar International and is the first office building to complete a TX-PACE project. 1225 North Loop West is an Energy Star designated building, Cleaner & Greener Program participant, and EPA Green Power Partner. Additional environmental amenities include a building-wide recycling program, and free premium hybrid vehicle parking.

[www.1225northloopwest.com](http://www.1225northloopwest.com)

## STELLAR INTERNATIONAL COMMERCIAL REAL ESTATE

Stellar International Commercial Real Estate LLC is a privately held commercial real estate company in Houston, Texas that manages 1225 North Loop West and approached property ownership with the opportunity of a TX-PACE project. It focuses on providing a fresh approach towards ownership and tenant needs, in addition to maintaining and improving the asset through cost-effective measures and ensuring tenant retention remains in the forefront.

[www.stellaricre.com](http://www.stellaricre.com)

## PETROS PACE FINANCE

Petros PACE Finance, LLC is a leader in providing energy efficiency, renewable energy, and water conservation financing to the commercial PACE market nationwide. Petros PACE Finance has significant institutional backing and was founded by a team with a collective 60+ years of experience in structured finance and lending. Petros is a legacy member of Keeping PACE in Texas.

[www.petros-pace.com](http://www.petros-pace.com)

## PACE HOUSTON

PACE Houston is a private energy efficiency project development company that testified in support of the Houston PACE program in October 2015. It served as a PACE advisor assisting with the process and development of the Houston PACE program and the 1225 North Loop West project, including proposing vendors, evaluating lender proposals, and managing the underwriting document submittal.

[www.pacehouston.com](http://www.pacehouston.com)

## TEXAS PACE AUTHORITY

The nonprofit organization, Texas PACE Authority, administers the uniform PACE in a Box model program on behalf of the City of Houston. This model approach ensures local governments can establish an effective program quickly and economically, providing a tool for property owners to invest in more efficient infrastructure. Program administration is provided at no cost to the local government with best practices in underwriting and technical consumer protections.

[www.texaspaceauthority.org](http://www.texaspaceauthority.org)

