

RESOLUTION NO. 45-2018

Authorizing the City to Enter into an Agreement with Plug Smart to Facilitate the Creation of the Property Assessed Clean Energy (PACE) Assistance Program to Provide Property Owners with Technical Assessments and Administrative Services to Encourage Investment in Commercial Buildings within the City.

WHEREAS, City staff has documented Worthington commercial buildings' issues of age, class, and regional competitiveness; and,

WHEREAS, the office corridors comprised by Wilson Bridge Road and High Street are areas of the City needing new investment, as those corridors' commercial real estate profile, was defined largely from the 1970s and 1980s and are marked by stagnant investment and leasing rates; and,

WHEREAS, to encourage voluntary private investment, the City has developed the PACE Assistance Program to provide commercial property owners with no-cost PACE technical assessments and administrative services to encourage investment in their commercial properties in this critical economic area of Worthington; and,

WHEREAS, the Worthington Community Improvement Corporation received and reviewed two separate proposals from PACE contractors, and recommended at its May 11, 2018 meeting that the City partner with Plug Smart on this initiative; and,

WHEREAS, as authorized in Article VIII, Section 13 of the Ohio Constitution and in accordance with the Plug Smart Proposal Letter set forth in EXHIBIT A, attached hereto and incorporated herein, the City intends to enter into an agreement with Plug Smart to provide PACE technical assessments and administrative services for 250,000 square feet of commercial building space at a cost of \$18,750, with an option for an additional 250,000 square feet at a later time for the same fee, totaling \$37,500.

NOW THEREFORE, BE IT RESOLVED by the Council of the Municipality of Worthington, County of Franklin, State of Ohio:

SECTION 1. That the Council of the City of Worthington does hereby authorize the implementation of the PACE Assistance Program and the execution of the agreement with Plug Smart, to encourage investments in, and improvements to, commercial real estate in the City of Worthington as further outlined in the attached EXHIBIT A.

SECTION 2. That the Clerk of Council be instructed to record this Resolution in the appropriate record book.

Adopted July 16, 2018

/s/ Bonnie D. Michael

President of Council

Attest:

/s/ D. Kay Thress

Clerk of Council

EXHIBIT A



CITY OF WORTHINGTON

Proposal Letter

July 12, 2018

David McCorkle
Economic Development Manager
City of Worthington
6550 N. High Street
Worthington, Ohio 43085

RE: PACE Project Development Services

Dear David,

This letter ("Agreement") outlines the scope of work and the terms and conditions associated with the Property Assessed Clean Energy (PACE) project development services that Plug Smart is proposing to the City of Worthington ("Client"). The objective of this Agreement is to provide the Client with PACE Technical Assessment and Administration services for commercial buildings located in the City of Worthington. These services are limited to 250,000 square feet¹ of commercial building space as prioritized by the Client and Client will have the option of adding an additional 250,000 square feet at a later time if needed with the same fee amount outlined in the Fee Schedule. Further, Client agrees to write a joint press release promoting the partnership. Additionally, Plug Smart's PACE project design-build services will be made available to the City's building owner participants as needed in order to maximize improvements and modernization to local buildings. Examples of these services are provided in Appendix E.

Scope of Work

A brief description of the services available to the Client in this proposal include:

PACE Technical Assessment Services

PACE Technical Assessment Services are being offered to help the Client's commercial building owner targets identify a portfolio of PACE eligible energy projects that can self-fund from the utility, operations and maintenance savings that they create. This process includes performing utility bill benchmarking

¹ If the Client's commercial building owner target(s) utilize Plug Smart for PACE Design-Build Services (including contracting, construction, and close-out) from the PACE improvement measures identified from the PACE Technical Assessment, that associated square footage will be added back to the remaining square-footage allotment and offered to future targets at the negotiated discounted rate.

Plug Smart

350 E First Ave., STE 210
Columbus, OH 43201

(800) 518-5576

www.plugsmart.com



analysis, electrical and mechanical system performance baselining, and energy conservation measure identification and analysis. This scope of work is described in Appendix A.

PACE Administration Services

PACE Project Administration Services are being offered to help the Client's commercial building owner identify, get approval, and obtain funding for a PACE eligible project. This process includes identifying PACE eligible scopes of work, modeling the financial performance of the building, overseeing the PACE approval, application and funding process, and complying with the PACE legislative requirements. This scope of work is described in Appendix B.

PACE Design-Build Services

PACE Design-Build Services are being offered to provide turnkey services to the Client's commercial building owner targets throughout all project phases as necessary including schematic design, design development, competitive bidding and procurement, construction and post construction. This scope of work is described in Appendix C.

PACE Measurement and Verification Services

PACE Measurement and Verification (M&V) Services are being offered to help the Client's commercial building owner targets establish baseline consumption, mitigate risk of savings shortfalls and retain PACE compliance throughout the term of the required M&V period (varies by project). This scope of work is described in Appendix D.

Fee Schedule

The cost for Plug Smart to perform these PACE Technical Assessment Services will be inclusive of all equipment, materials, labor, travel, expenses, field investigation, meetings, oversight, supervision, and all other direct and indirect costs associated with the assessment of this project. The fees for this work will be \$18,750.

Additionally, if the Client executes this agreement within 30 days of receipt, Plug Smart will earmark \$60,000 of grant funding for the Client's commercial building owner targets. This grant can be used to offset the implementation costs of the PACE project should the building owners decide to move forward with facility improvements after completion of the technical assessment. The terms of this grant are as follows: (i) the grant is earmarked for commercial building owners looking to use PACE to implement energy projects; (ii) the engineering portion of the PACE assessment must be completed no later than August, 31 2018²; (iii) the Commercial Building Owner agrees to use Plug Smart to help design, develop, and oversee the PACE project including performing post-project measurement & verification of energy

² Project(s) with engineering portions completed after August 31, 2018 are eligible for additional grant subsidies pending 2019 disbursement from the State of Ohio.

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savings; and (iv) Plug Smart reserves the right to redirect the \$60,000 grant funds to other clients in the event grant deadlines are not achieved.



CITY OF WORTHINGTON

INTENT TO PROCEED

If you agree with the terms and conditions in this letter, please acknowledge this by signing below:

Plug Smart

City of Worthington

Dave Zehala,
President

David McCorkle,
Economic Development Manager

Date

Date



Appendix A – PACE Technical Assessment Services

- Obtain copies of the following data from the Client prior to starting on-site field work: (i) maintenance history of equipment; (ii) recent energy studies and/or audits; (iii) three years historical utility billing data; (iv) capital improvement, deferred maintenance and energy master plans; (v) mechanical and electrical as-built drawings; (vi) sub-meter and data logger trend data; (vii) protocol for facility access; (viii) protocol for access/login to Building Automation Systems; (ix) one recent utility bill for each utility company; and (x) power purchase agreements and three years of energy purchase statements.
- Conduct interviews with facility operation and maintenance staff regarding the building systems operation, occupancy patterns, unique energy needs, problems with comfort levels, and equipment reliability.
- Analyze three years' worth of client utility billing data using commercially available energy benchmarking and regression analysis tools (if available). Develop a weather adjusted energy consumption baseline and benchmark building energy cost and consumption data against similar building peer groups. Use this benchmarking analysis to help establish energy utilization index (EUI), financial (\$/sq ft) and other PACE required metrics.
- Evaluate all major PACE eligible building energy systems including but not limited to: (i) cooling systems and related equipment; (ii) heating and heat distribution systems; (iii) automatic temperature control systems and equipment; (iv) outdoor ventilation systems and equipment; (v) electric motors, transmission, and drive systems; (vi) energy efficient lighting (interior and exterior) and other electrical systems; (vii) renewable energy systems; (viii) compressed air and pneumatic systems; and (x) selected plug loads.
- Evaluate all PACE eligible energy conservation measures against the American Society of Heating, Refrigeration and Air-conditioning Engineers (ASHRAE) standards³ as defined in the 2003 HVAC Applications ASHRAE Handbook.
- Provide detailed summary information for each ECM including but not limited to: (i) detailed technical descriptions; (ii) relevant assumptions and estimates used in energy savings and other calculations; (iii) investment and costs; (iv) annual utility savings; (v) annual operations & maintenance savings; (vi) available utility incentives; (vii) 15 year cumulative cash flow contribution; (viii) simple payback period and/or IRR; and (ix) environmental impact measured in carbon offsets and other metrics.

³ Technical assessment of eligible energy conservation measures shall meet ASHRAE Level II guidelines.



Appendix B – PACE Administration Services

- Assist the Client with developing PACE compliant/budget neutral energy projects for the building including but not limited to: (i) finalize PACE project eligible energy projects and budgets for inclusion in financing packages; (ii) provide inflation adjusted building cash flows including utility cost reductions, operations & maintenance savings, and special assessments; (iii) identify, quantify and analyze PACE eligible cash-out energy conservation measures, PACE soft cost reimbursement, and cash adjusted tax credits/deductions; and (iv) evaluate project financial metrics including PACE project's contribution to cumulative cash flow, cash-on-cash return and net present value.
- Provide PACE application and project filing administrative services for the building including but not limited to: (i) oversee submittal of all required PACE application and supporting documentation for the PACE project; (ii) develop PACE application support documentation including PACE ECM Summary, PACE ECM Breakouts, and PACE Project Summary; and (iii) provide technical and financial assistance throughout the application approval process.
- Assist the Client in identifying a competitively priced PACE capital provider partner including but not limited to: (i) qualify at least three reputable PACE capital providers through a Request for Qualifications (RFQ) process; (ii) screen PACE capital providers based on key criteria including PACE fund size, capital structure, underwriting guidelines, reporting covenants, other restrictions and financial fees; (iii) solicit PACE term sheets from qualified capital providers including PACE project effective interest rates, capitalized interest, debt service reserve requirements, and pre-payment penalties; (iv) benchmark and analyze terms sheet and provide executive overview; and (v) assist the Client in obtaining and negotiating PACE project definitive agreement.
- Assist the Client in meeting all PACE legislative process (ORC 1710) requirements including but not limited to: (i) support Energy Special Improvement District (ESID), City Finance Authority, City Council and PACE Capital Provider inquiries as needed; (ii) certify building and project data included in the PACE Resolution of Necessity, Ordinance to Proceed, and Ordinance to Levy documents; and (iii) ensure that all energy conservation measures support the energy consumption, demand reduction, and renewable energy system requirements as defined by the State of Ohio.



Appendix C – PACE Design-Build Services

- Provide turnkey PACE Design-Build services to Client throughout all project phases as necessary including schematic design, design development, competitive bidding and procurement, construction and post construction.
- Provide professional design engineering services for all phases of the design-build project including but not limited to: (i) comply with all applicable state licensing laws for the preparation of the required drawings, specifications and other design submittals; (ii) review laws, codes, and regulations to ensure the project conforms with all such requirements in effect at the time of design completion; (iii) develop and submit engineering drawings and specifications describing the requirements for construction of the work; (iv) coordinate engineering design review meeting(s) with the Client for the purpose of mutually establishing a conformed set of construction documents compatible with the scope.
- Administer a competitive bid process for construction phase services including but not limited to: (i) prequalify subcontractors in accordance with all Client Requirements; (ii) identify at least three prospective bidders to bid on each subcontract, unless deemed unqualified or unresponsive subject to the Client's satisfaction; (iii) allow the Client to actively participate in the subcontractor selection process including not being required to award a subcontract to a low bidder; (iv) coordinate all mandatory pre-bid meetings, conferences, and facility walk-throughs; (v) negotiate favorable contract terms and conditions.
- Provide project management oversight for all phases of the design-build project including but not limited to: (i) schedule, facilitate, and attend all on-site meetings and visits as the project requires; (ii) provide status of all contracts, subcontracts, purchase orders and buyout opportunities (if applicable); (iii) identification of health and safety issues in connection with any scope of work; (iv) ensure compliance with all subcontractor contractual obligations (e.g. insurance, bonding, performance guarantees); (v) train maintenance staff on all elements of the system; (vi) identify any items that require resolution so as not to jeopardize the work being completed on time and within budget; (vii) provide and keep current a issues log and critical issues list; (viii) provide regular progress schedules that will indicate the dates for the start and completion of the various stages of work, including reasonable dates when Client approvals are required to achieve the punch list, project close-out requirements, contract completion, and occupancy requirements.



Appendix D – PACE Measurement and Verification Services

Baseline Establishment

- Establish the energy consumption baseline, a critical step to the success of a measurement and verification (M&V) program.
- Conduct staff interviews, perform building modeling, and analyze billing data as discussed above.
- Make any necessary adjustments using daily temperature extremes from the National Weather Service and establish the normal number of heating/cooling degree-days in the last billing cycle.
- Account for events such as an abnormally mild or harsh summer/winter during the baseline period to avoid skewing the savings calculations post-project.

Ongoing Measurement and Verification

Energy Savings is defined as the difference between the baseline energy consumption and the post retrofit energy consumption multiplied by the applicable utility rate.

- Use regression analysis (and in some cases energy models) to adjust Client usage data to account for varying factors such as weather, billing periods, occupancy, building load, conditioned building area, equipment operation, and scheduling methodologies etc.
- Provide two types of savings during the M&V program as a part of the reporting process: energy units and dollar savings.
- Compile and issue a final year-end report summarizing energy savings for written acceptance by the Client.



Appendix E – PACE Case Studies

Examples begin on next page.



Case Study

350 W WILSON BRIDGE

Medical Facility



Property Type:

Multi-Story Commercial

Project Type:

Gut Rehab

Building Measures:

Interior and Exterior LED Lighting, HVAC Upgrades, Domestic Hot Water Upgrades, Envelope Upgrades.

The Challenge

The client was interested in using energy efficiency to renovate the unoccupied building at 350 W. Wilson Bridge Road, specifically applying PACE bonds to their capital stack to help with project funding.



Worthington, Ohio

Location



\$300,001

Approved Financing

The Solution

Plug Smart performed an energy-focused technical assessment to establish energy baselines for the building through an energy model. The savings from the recommendations are determined by making project-specific changes to the model. These savings can then be used to determine what is eligible for PACE financing.



\$37,429

Annual Savings



20.6 years

Effective Useful Life

Plug Smart provided PACE project administrative and support services as needed.

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