



Energy Efficiency  
PROGRAM



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**ENTECH**

Commercial HVAC Service & Solutions



# PRESENTING C-PACE

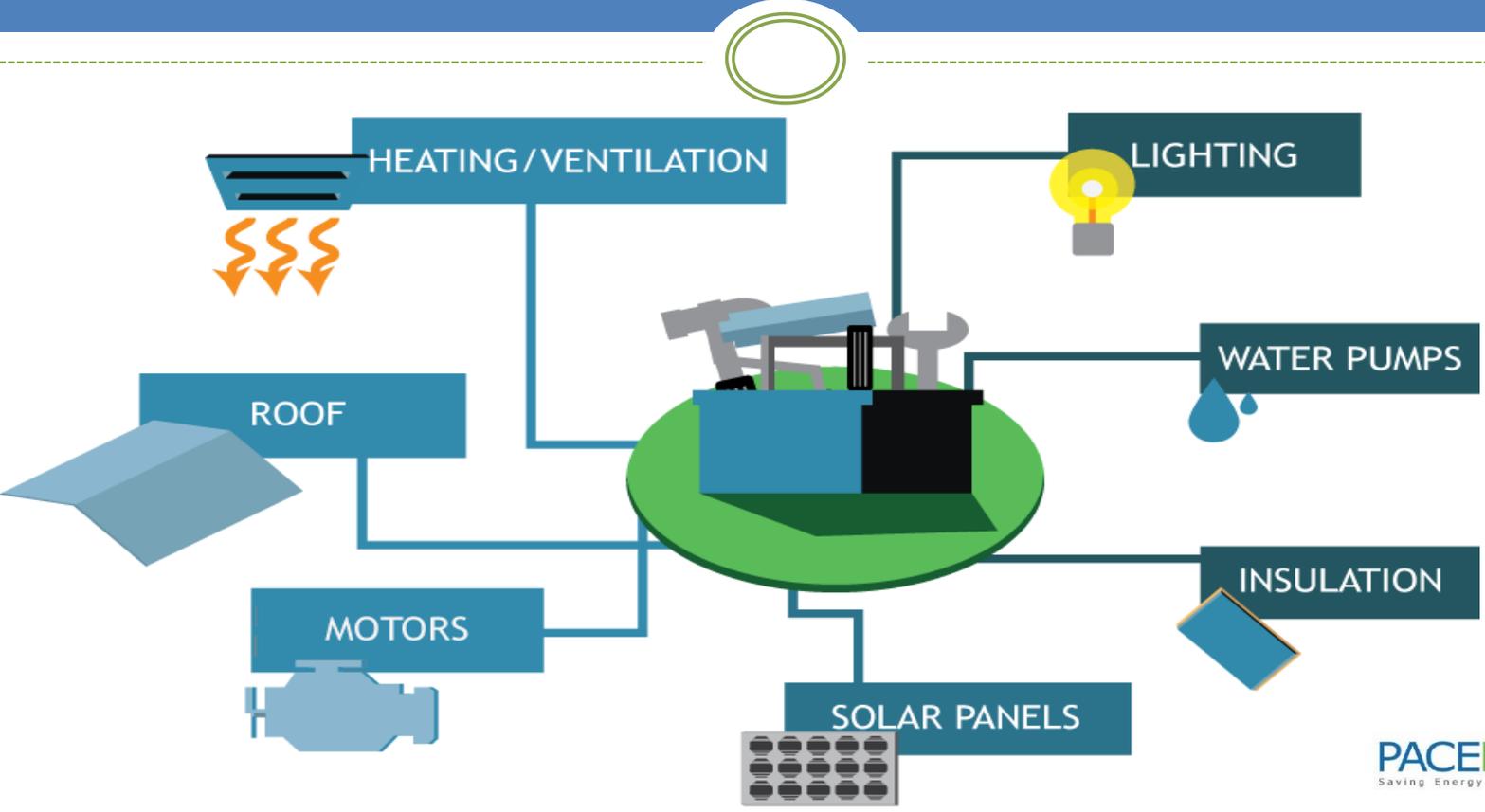




## Commercial Property Assessed Clean Energy (C-PACE)

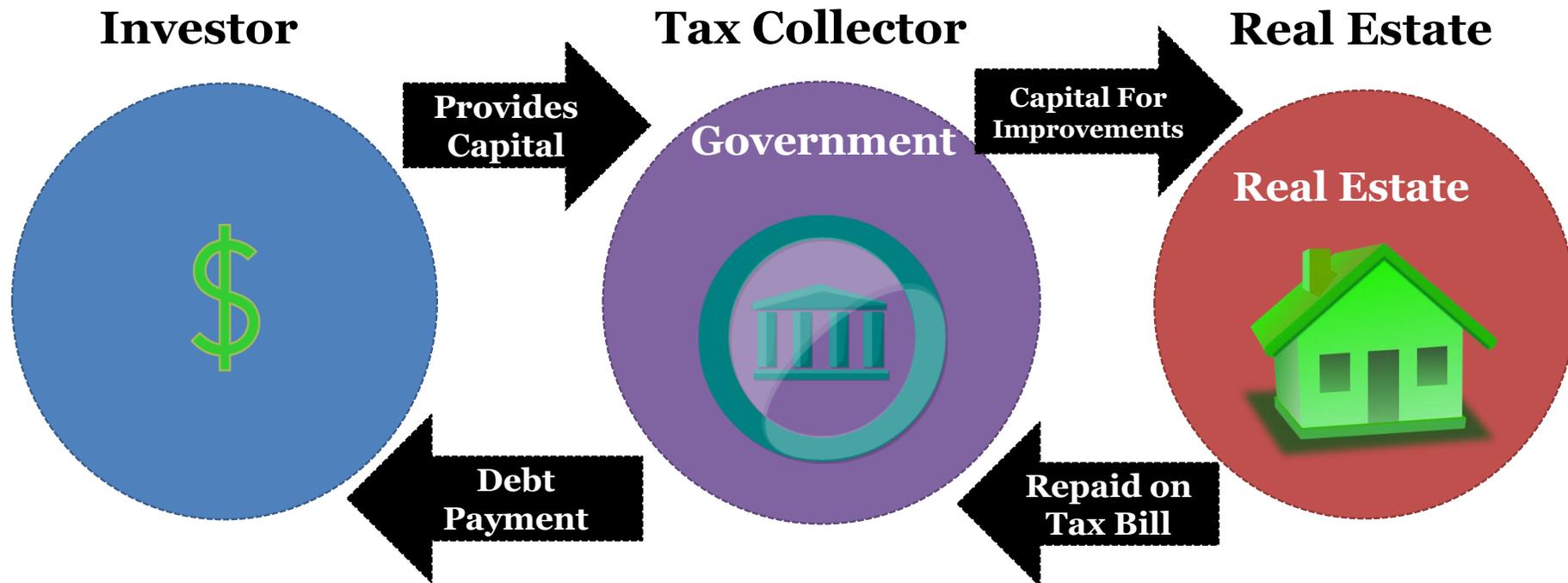
- C-PACE is a financing option for commercial property owners to fund energy efficiency, renewable energies or resiliency measures for their qualifying properties, as fixed improvements to fixed assets.
- Offers up to 100%, fixed-rate, long-term private funding, flowing through local or state governments.
- C-PACE Loans are repaid via the special assessment mechanism on the property tax bill.
- Most commercial property types qualify including:
  - Retail
  - Industrial facilities
  - Multifamily (greater than 4 units)
  - Hospitality
  - Office
  - Affordable housing (greater than 4 units)
  - Other types on case-by-case basis

# C-PACE Program Eligible Improvements





# C-PACE Program Process





# Why C-PACE?

- Primary Barriers to Energy-Efficient Upgrades: **MONEY**
- Capital (I have no money.)
- Difficulty finding financing sources (Where could I get the money?)
- Loans secured by mortgages are due upon sale of property (C-PACE loan stays with the property until satisfied.)



## Why C-PACE?

### Property Owner Perspective

- No upfront capital needed – up to 100% financing.
- Allows access to energy-efficient technology which might not have been available to the property owner otherwise.
- Energy savings improve the net operating income (NOI) and can have an accretive effect on property values.
- Lien runs with property, not with property owner (non-recourse and off-balance sheet treatment).
- Up to 30-year term fully amortizing (may vary by state).
- Assessment term matches the useful life of improvements.
- Tenants may share on cost and savings.



## Why C-PACE?

### Contractor / Architect Perspective

- ✔ Provides a value-add client service.
- ✔ Easier client approval on projects.
- ✔ Helps meet schedules for industry-mandated and code-required upgrades.
- ✔ Enables coordination of building systems, likely not possible otherwise due to financial constraint.



## Why C-PACE?

## Municipal Perspective

- \$0 net costs to “issuer”/government body.
- Available to all constituents with qualifying properties.
- Economic development and job creation within the approved area.
- Increased property value due to modernization.
- Helps meet municipal sustainability goals.
- Beneficial for environment and community.



## Why C-PACE?

### Lender Perspective

- Finances property improvements up to 100%, while leaving in place the current lender commitment.
- Allows capital expenditures to be added on a non-recourse basis.
- Could increase property value, lowering lender loan-to-value (LTV).
- In case of default, C-PACE's priority over the mortgage is for current tax payments ONLY – no acceleration of the entire PACE debt!



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

## CONTACT INFO

HOME ABOUT SERVICES CONTACT

### Accelerate Your Green Project with C-PACE Expertise

#### Expert Consulting Services

Curly Consultancy guides commercial property owners and developers from concept to close, unlocking up to 100% long-term financing for energy-efficient upgrades, and for capital stack gap-filling on new construction projects through Commercial PACE and complementary incentives.

**Anna Maria Kowalik**

Principal / C-PACE Consultant

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# Engineering Your Tax Savings: Leveraging Cost Segregation and Energy Incentives

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Return of 100% Bonus Depreciation to Section 179 Expensing,  
179D Energy Efficiency Deductions

**Don Vincent**

CSSI – Cost Segregation Services, LLC.

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



# What We Will Cover



**A dollar today is worth more than a future dollar in inflationary times.**

- Cost Segregation
- 100% Bonus Depreciation: what qualifies, what doesn't
- What qualifies for Section 179 expensing and new limits
- 179D Energy Efficiency deductions

# Building Owners Have A Choice For Depreciation Strategies

A dollar today is worth more than a future dollar in inflationary times.



Eligible for Depreciation Deductions



Straight Line Depreciation – Whole Building View

- ▶ 39 yrs for Commercial
- ▶ 27.5 yrs for Multifamily and Residential Buildings



Cost Segregation – Parts and Pieces View

- ▶ Doubles to triples depreciation in first five years
- ▶ \$2 million building averages around \$100,000 in accelerated cash flow
- ▶ Maximizes ability to use bonus depreciation



# What Is Cost Segregation?



Process of analyzing and identifying commercial building components that are eligible for accelerated depreciation.



Results in faster depreciation.



Input calculation to the U.S. tax code: building systems valuation.



Allows building owners to use cash today and employ time value of money.



Engineering-based is defined as “The Certain Method.”



Rule of thumb: 20-30% of the building cost (excluding land) will qualify for accelerated or bonus.  
\$30,000 - \$80,000 per \$1 million in building cost.

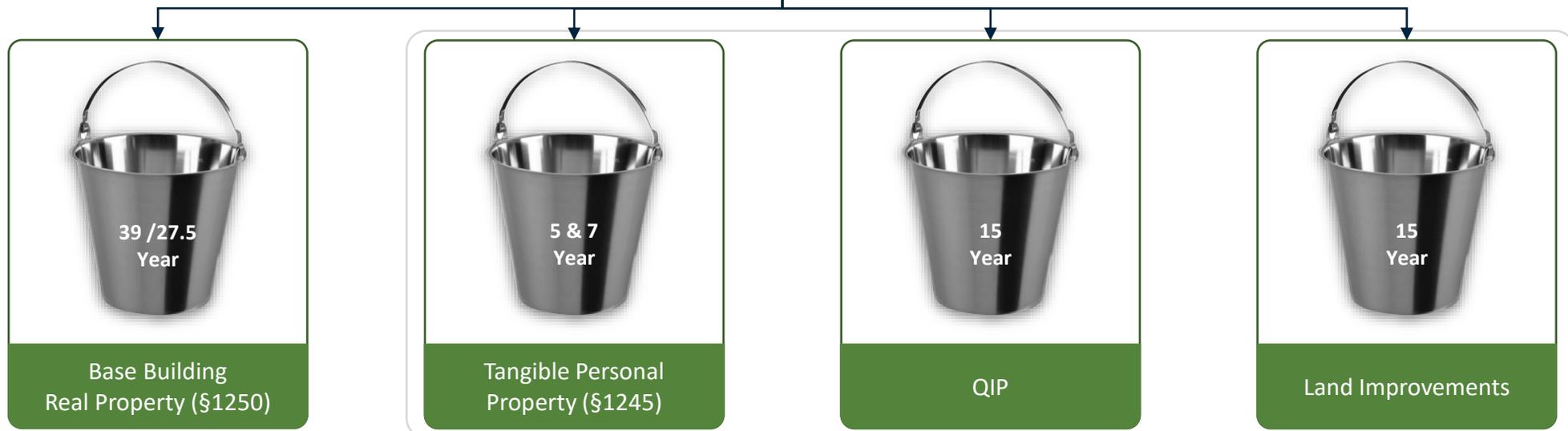


# Cost Segregation Bucket Analogy

Base Building  
Real Property (\$1250)  
Without Land



Cost Segregation Study is the input document that qualifies building asset by class life and value that are **Eligible for Bonus Depreciation** (< 20-year life)



# Cost Segregation Bucket Analogy



39 / 27.5  
Year

## Base Building Real Property (\$1250)

- ▶ Structural
- ▶ Foundation
- ▶ Walls
- ▶ Doors/Windows
- ▶ HVAC
- ▶ Plumbing
- ▶ Electrical
- ▶ Building Systems



5 & 7  
Year

## Tangible Personal Property (\$1245)

- ▶ Decorative
- ▶ Moldings
- ▶ Carpet/Flooring
- ▶ Cabinets /Countertops
- ▶ Specialty Plumbing
- ▶ Specialty Electrical
- ▶ Cable Building Systems



15  
Year

## QIP Real Property (\$1250)

- ▶ Interior Renovations
- ▶ Sheet Rock
- ▶ Flooring
- ▶ Lighting
- ▶ Interior Plumbing/Electrical
- ▶ Interior HVAC
- ▶ Paint



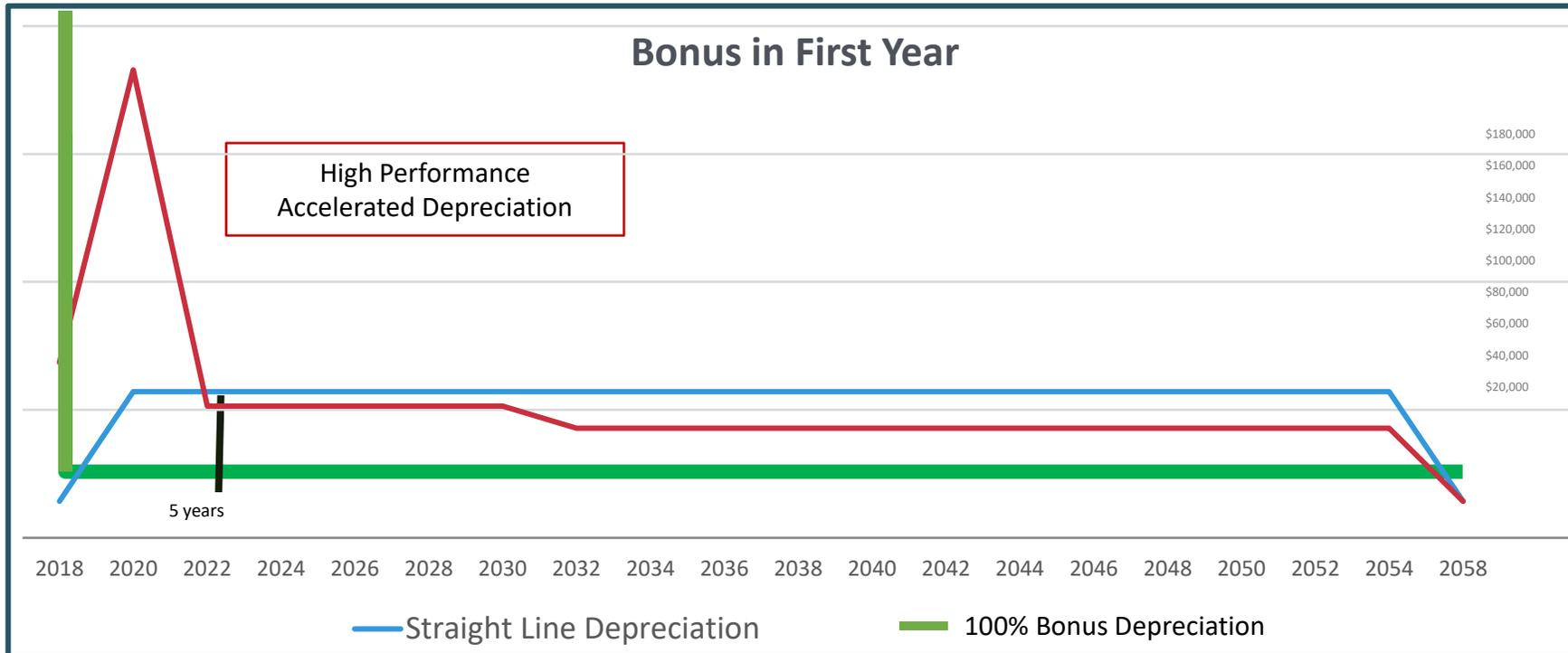
15  
Year

## Land Improvements (\$1250)

- ▶ Parking Lot/Striping
- ▶ Concrete/Asphalt
- ▶ Signs/Flagpole
- ▶ Landscaping
- ▶ Light Poles
- ▶ Fences/Gates

# What is Cost Segregation?

## Cash Flow Chart: Straight-Line vs. Accelerated Depreciation w/ Bonus



### Bonus Depreciation

- ▶ 5-7-15 year property
- ▶ Anything 20 years and under
- ▶ 60% in first year in 2024



# Benefits To Real Estate Owners

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## Strategic and Purposeful = Well Positioned & Actionable

- ▶ Owners retain the money that would have been paid for income taxes.
- ▶ Owners have more cash flow available for:
  - Closing their real estate deals.
  - Working capital to buy more buildings.
  - Paying for improvements (property management).
- ▶ Point of purchase is the ideal time to introduce cost segregation.
- ▶ Building it into their pro forma on the front end.
- ▶ Cash flow is increased in the earlier and riskier years of business ownership.
- ▶ \$30,000 - \$80,000 per \$1 million of cash flow
- ▶ Today's dollars/deductions are worth more than tomorrow's dollars/deductions due to inflation.

# Building Types That Benefit From Cost Segregation

Manufacturing facilities

Apartment buildings

Fast food

Hotels

Warehouses

Office buildings

Restaurants

Auto dealers

Retail strip centers

Medical buildings

Residential rental properties

Leasehold improvements

And more



# Cost Segregation: Sample Studies



## Self Storage

- ▶ 2017 purchase: \$859,842
- ▶ Non-climate control
- ▶ Tax savings of \$45,000



## Apartment Building

- ▶ 2014 construction: \$1.2 million
- ▶ Tax savings of \$63,000



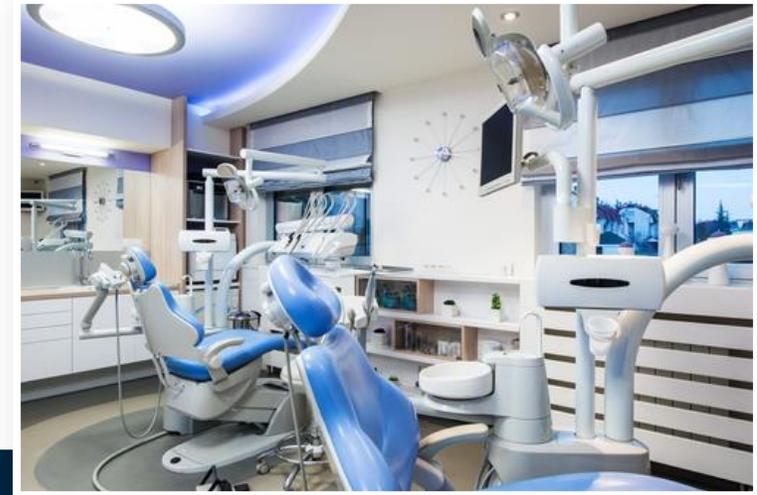
## Dental Office

- ▶ 2008 purchase: \$1 million shell
- ▶ Improvements: \$450,000
- ▶ Tax savings of \$74,000 in 2018



## Multiple Office Complexes

- ▶ 12 locations
- ▶ Some purchased as far back as 1999
- ▶ Previously owned older properties
- ▶ Created a \$5.3 million deduction
- ▶ Tax savings of \$2.1 million



# OBBB Changes

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## 100% Bonus

- Permanently extends and modifies additional first year depreciation deduction. Allowance increased to 100% of property acquired and placed in service after January 19, 2025.
- Captured on buildings through cost segregation studies.
- More details to come in this presentation regarding interpreting acquired and placed in service definitions.

# Time To Implement A Cost Segregated Depreciation Strategy

## Lays the Foundation for Maximizing Cash Flow



Acquisition of a property.



Newly constructed property.



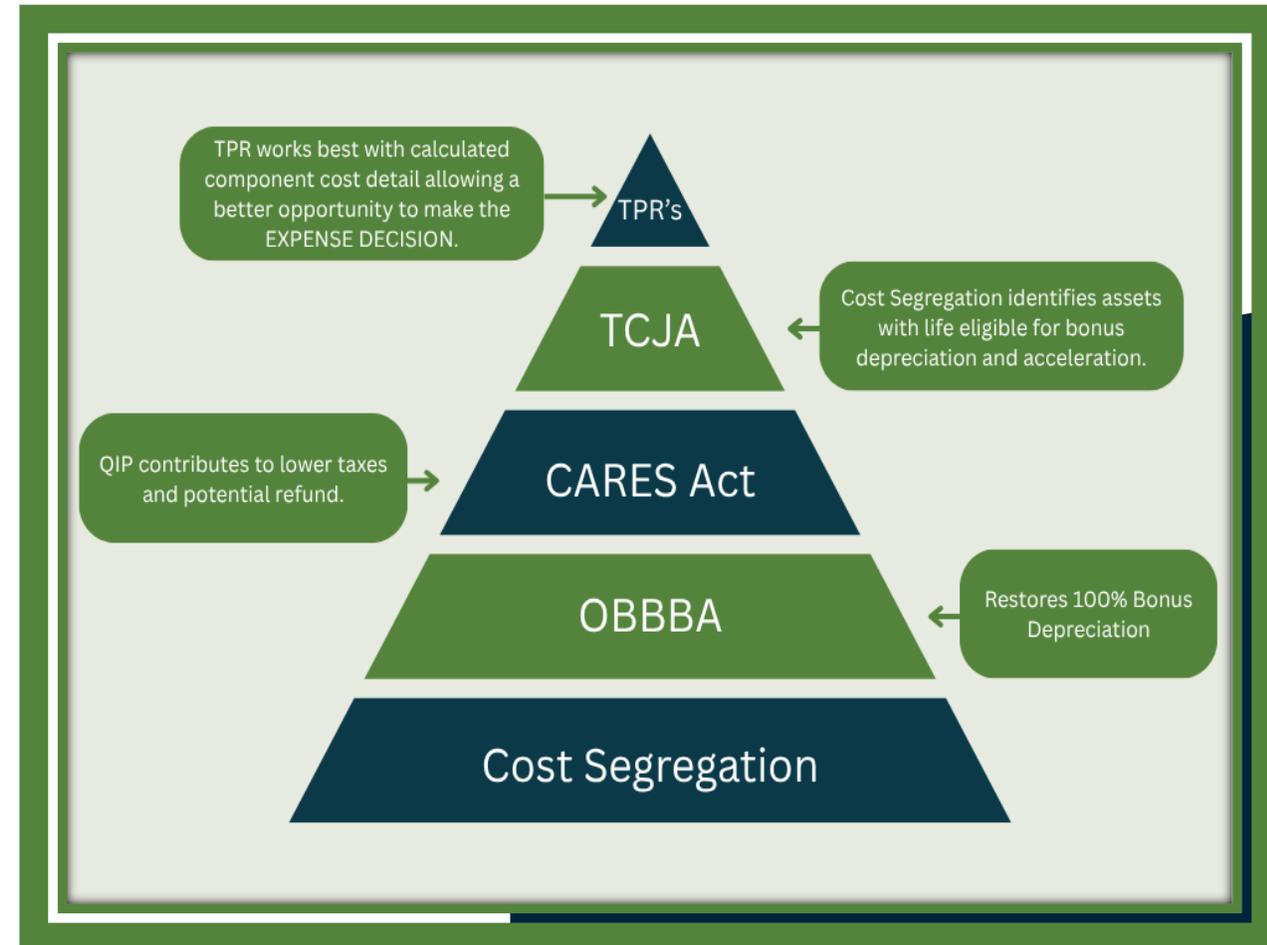
Before and after a renovation or addition.



Property purchased in previous tax year – no need to amend returns.



Typically 10-25 times the return on the after-tax cost.



# Cash Flow Strategies for Renovations and Remodels - Tenant Retrofits Interior Of Non-Residential



- ▶ Typically, 100% tax deduction.
- ▶ \$300-370K per \$1 million of basis.
- ▶ Help your clients maximize their tax savings.



# Partial Asset Disposition (PAD)

## The Partial Asset Disposition Decision



**The ability to write off assets that are no longer in use due to:**

- ▶ Renovations/remodels/replacements
- ▶ Abandoned in place
- ▶ Retirement of a structural component or improvement to a building



**Common items:**

- ▶ Roofs, HVAC, electrical
- ▶ LED retrofit projects – energy savings and tax savings
- ▶ ~~Partial Asset Dispositions must be taken in the same year as the renovation. Form 4797. Use It or Lose It.~~
- ▶ Removal costs are not required to be capitalized if a PAD is employed.



# OBBB Changes

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## Qualified Production Property “Manufacturing Property”

Bonus depreciation allowed on manufacturing property where construction begins after January 19, 2025 and before January 1, 2029 and must be placed in service prior to 2031.





# Section 179 Expense



## Code Sec. 179

- ▶ Provides election to treat certain amount of new or qualifying used property as an expense in year placed into service.

# What Is Section 179 Expensing?

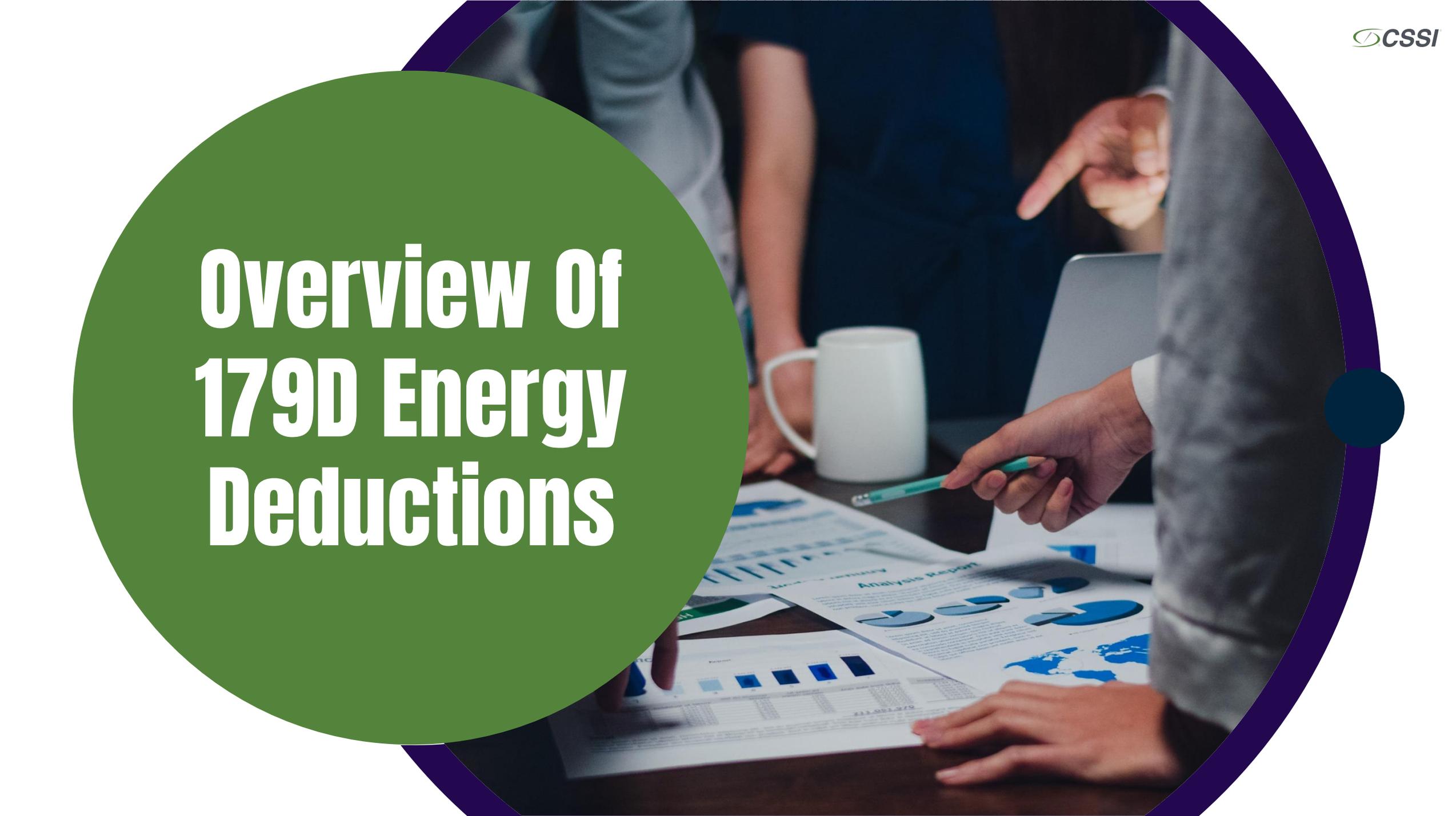


## Section 179 Expensing

- ▶ Allows businesses to deduct the full purchase price of qualifying equipment and/or software purchased or financed.
- ▶ Also applies to 5 and 7-year interior personal property in buildings.
- ▶ Property contained in or attached to a building.
- ▶ Non-structural building components.
- ▶ New equipment or used equipment that is “new to owner.”
- ▶ Purchase after building is in use.
- ▶ Must be an active trade or business. Not for leased property.
- ▶ Non-residential for qualifying real property.
- ▶ Limit is \$2,500,000 and begins phase-out after \$4,000,000 (2025).



**IRS**  
**SECTION 179**

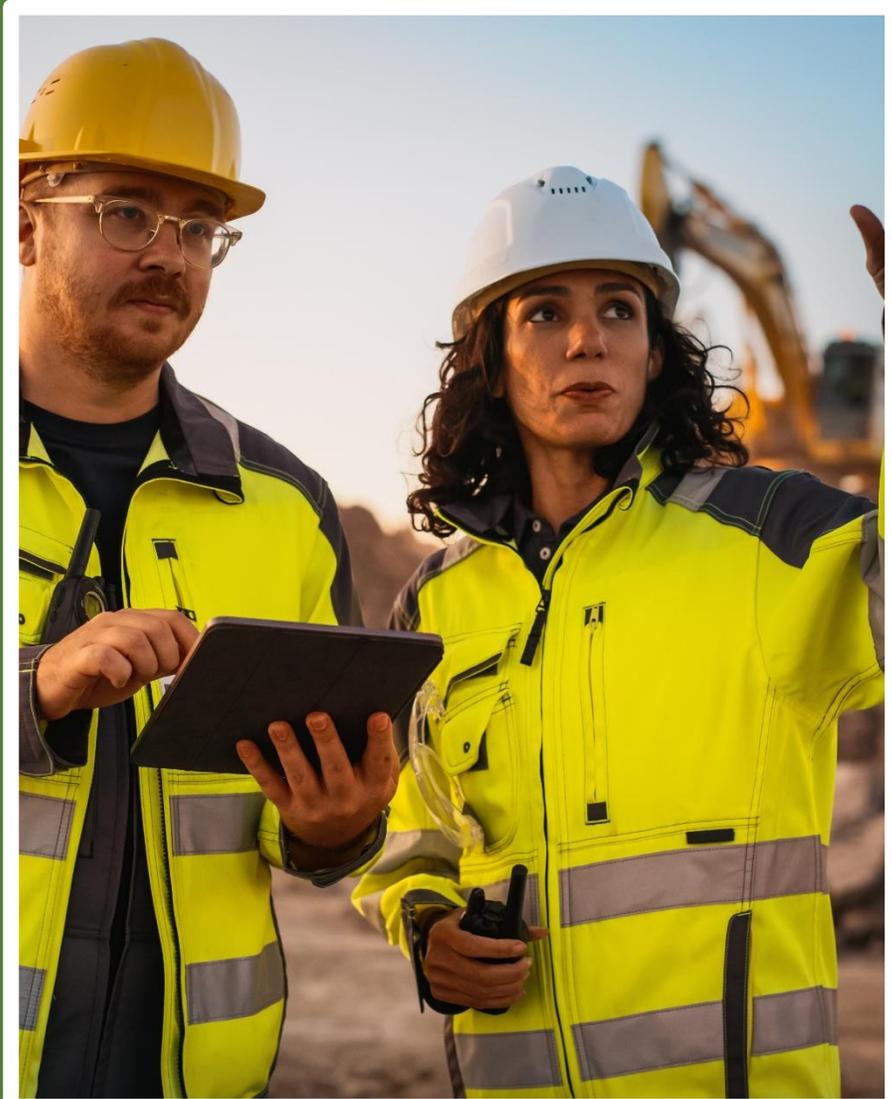
A circular image showing a group of business professionals in a meeting. They are gathered around a table with several documents, including one titled 'Analysis Report' which features various charts and a world map. One person is pointing at a document with a green pen, while another points towards a laptop. A white mug is also visible on the table.

# Overview Of 179D Energy Deductions

# **WHAT IS THE SECTION 179D TAX DEDUCTION?**

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The 179D Energy Efficient Commercial Buildings Tax Deduction, also known as the **Energy Efficient Commercial Buildings Deduction**, aims to incentivize building owners that implement energy-efficient technologies and practices within commercial buildings. Additionally, government buildings can allocate the deduction to the designer of the energy efficient building systems installed.



## 179D - How Does it Work?

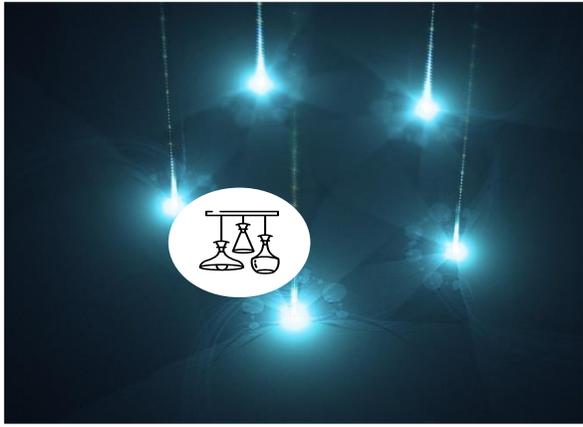
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In order to qualify for the maximum incentive, the new construction or renovation project must reduce a building's energy costs by 50% or more compared to a "baseline" reference building based on 2007 energy efficiency and technology standards (ASHRAE Standards 90.1-2007).

**The OBBB terminates 179D Energy Efficient Tax Deductions for property that begins construction after 6/30/26. Still possible to go back to prior years.**

# What Are The Systems and Benefits?



Lighting



HVAC and  
Hot Water



Building Envelope

- Up to \$1.80 per s/f from 2006 – 2022.
- Starting at \$5.00 per s/f after 2023 if prevailing wages and apprenticeship criteria are met.
- Sweet spot (\$5.00 per s/f) for projects starting prior to 1/1/23 and ending after 1/1/23.

# Who Can Claim The Section 179D Tax Deduction?

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## Private Building Owners

-  2006 through current
-  Prior years claim on current return via Form 3115

## Designers of Govt/Non-Profit Buildings

-  Three-year statute of limitations
-  Amending required for designers
-  Non-profits and native/tribal starting in 2023
-  Allocation letter from non-tax paying entity



# Prior to 2023 and Completed After 2023



**Sweet Spot...** Building owners and designers can qualify for the bonus deduction without meeting the new IRA Labor Requirements.



Projects will automatically qualify for the bonus rates if...



**5% Physical Work Test** - The project began construction before 1/29/23 (and did not experience any pauses), or



**5% Safe Harbor Test** - The project incurred at least 5% of the total cost before 1/29/23 (and did not experience any pauses).

**Note:** Both tests are related to the physical building and do not include demo, site work, design activities, etc.

**Sweet spot is up to \$5.65 per sq ft.**



# OBBB Changes

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## Sec. 179D: Energy Efficient Commercial Buildings Deduction

Terminates deduction for property that begins construction after June 30, 2026.

- Projects must begin construction **before June 30, 2026** to qualify for the 179D deduction.
- **No structural changes until then:** The deduction's mechanics — like eligible property types and calculation methods — remain unchanged until the cutoff.

Still maintains the ability to capture 179D for buildings or improvements put in service since 2006 (**although effective benefit likely will begin with buildings from 2016 and following**).

# OBBB Changes

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## Sec. 179D: Energy Efficient Commercial Buildings Deduction

### What You Should Do Now:

- **Fast-track projects.** Begin construction **before June 30, 2026** to lock in eligibility.
- **Document everything.** Maintain records of energy modeling, start dates and compliance with prevailing wage rules.
- **Retroactive claims.** You may still amend past returns to claim missed 179D deductions.

# No Need to Amend

## Form 3115 Application For Change In Accounting Method



As a result of the mismatch between the old and new methods, some items may be treated in inconsistent ways under the old and new accounting methods, which could distort the lifetime income of the taxpayer.



To address this problem, IRC 481 requires that the taxpayer take into account any adjustments required to offset duplications or omissions of income or expense that result from a change in method of accounting.

DCN 7 used for Cost Segregation Studies

<b>Form 3115</b> (Rev. December 2018) Department of the Treasury Internal Revenue Service		<b>Application for Change in Accounting Method</b> ▶ Go to <a href="http://www.irs.gov/Form3115">www.irs.gov/Form3115</a> for instructions and the latest information.		OMB No. 1545-0152				
Name of filer (name of parent corporation if a consolidated group) (see instructions)		Identification number (see instructions) 123-45-6789						
FRED JONES Number, street, and room or suite no. If a P.O. box, see the instructions. 575 MAIN ST City or town, state, and ZIP code ANYTOWN WI 12345		Principal business activity code number (see instructions) Tax year of change begins (MM/DD/YYYY) 01/01/2019 Tax year of change ends (MM/DD/YYYY) 12/31/2019 Name of contact person (see instructions)						
Name of applicant(s) (if different than filer) and identification number(s) (see instructions)		Contact person's telephone number 920-555-1212						
If the applicant is a member of a consolidated group, check this box <input type="checkbox"/> If Form 2848, Power of Attorney and Declaration of Representative, is attached (see instructions for when Form 2848 is required), check this box <input type="checkbox"/>								
<b>Check the box to indicate the type of applicant.</b>								
<input checked="" type="checkbox"/> Individual <input type="checkbox"/> Corporation <input type="checkbox"/> Controlled foreign corporation (Sec. 957) <input type="checkbox"/> 10/50 corporation (Sec. 904(d)(2)(E)) <input type="checkbox"/> Qualified personal service corporation (Sec. 448(d)(2)) <input type="checkbox"/> Exempt organization. Enter Code section ▶		<input type="checkbox"/> Cooperative (Sec. 1381) <input type="checkbox"/> Partnership <input type="checkbox"/> S corporation <input type="checkbox"/> Insurance co. (Sec. 816(a)) <input type="checkbox"/> Insurance co. (Sec. 831) <input type="checkbox"/> Other (specify) ▶		<b>Check the appropriate box to indicate the type of accounting method change being requested.</b> See instructions. <input checked="" type="checkbox"/> Depreciation or Amortization <input type="checkbox"/> Financial Products and/or Financial Activities of Financial Institutions <input type="checkbox"/> Other (specify) ▶				
<b>Caution:</b> To be eligible for approval of the requested change in method of accounting, the taxpayer must provide all information that is relevant to the taxpayer or to the taxpayer's requested change in method of accounting. This includes (1) all relevant information requested on this Form 3115 (including its instructions), and (2) any other relevant information, even if not specifically requested on Form 3115. The taxpayer must attach all applicable statements requested throughout this form.								
<b>Part I Information for Automatic Change Request</b>								
1 Enter the applicable designated automatic accounting method change number ("DCN") for the requested automatic change. Enter only one DCN, except as provided for in guidance published by the IRS. If the requested change has no DCN, check "Other," and provide both a description of the change and a citation of the IRS guidance providing the automatic change. See instructions.				<table border="1"> <tr> <th>Yes</th> <th>No</th> </tr> <tr> <td></td> <td></td> </tr> </table>	Yes	No		
Yes	No							
a (1) DCN: 7 (2) DCN: (3) DCN: (4) DCN: (5) DCN: (6) DCN: (7) DCN: (8) DCN: (9) DCN: (10) DCN: (11) DCN: (12) DCN:								
b Other <input type="checkbox"/> Description ▶								
2 Do any of the eligibility rules restrict the applicant from filing the requested change using the automatic change procedures (see instructions)? If "Yes," attach an explanation.				<table border="1"> <tr> <td></td> <td>X</td> </tr> </table>		X		
	X							
3 Has the filer provided all the information and statements required (a) on this form and (b) by the List of Automatic Changes under which the applicant is requesting a change? See instructions. Note: Complete Part II and Part IV of this form, and, Schedules A through E, if applicable.				<table border="1"> <tr> <td></td> <td>X</td> </tr> </table>		X		
	X							
<b>Part II Information for All Requests</b>								
4 During the tax year of change, did or will the applicant (a) cease to engage in the trade or business to which the requested change relates, or (b) terminate its existence? See instructions.				<table border="1"> <tr> <td></td> <td>X</td> </tr> </table>		X		
	X							
5 Is the applicant requesting to change to the principal method in the tax year of change under Regulations section 1.381(c)(4)-1(d)(1) or 1.381(c)(5)-1(d)(1)? If "No," go to line 6a. If "Yes," the applicant cannot file a Form 3115 for this change. See instructions.				<table border="1"> <tr> <td></td> <td>X</td> </tr> </table>		X		
	X							
<b>Sign Here</b> Under penalties of perjury, I declare that I have examined this application, including accompanying schedules and statements, and to the best of my knowledge and belief, the application contains all the relevant facts relating to the application, and it is true, correct, and complete. Declaration of preparer (other than applicant) is based on all information of which preparer has any knowledge.								
Signature of filer (and spouse, if joint return)		Date		Name and title (print or type)				
<b>Preparer (other than filer/applicant)</b> Print/Type preparer's name		Preparer's signature		Date				
Firm's name ▶								
For Privacy Act and Paperwork Reduction Act Notice, see the instructions.								



# Will Claiming The Section 179D Deduction Trigger An IRS Audit?

**No.**



If you claim the deduction as a designer of government-owned buildings, it won't automatically trigger an audit from the IRS, but you must follow the right steps to determine qualification for the deduction.



The IRS Large Business and International division (LB&I) has created a Section 179D practice unit to provide a framework for designers who might be eligible to take the deduction. The Section 179D IRS practice unit has released a document that outlines the steps the IRS would take when auditing Section 179D studies.



# Recapture Can Be Managed



## Recapture of Section 1250 Property 25%

- ▶ 25% x the depreciated amount



## Material participation – Can elect to treat ALL interest in real estate as single activity.

- ▶ X% times the fair market value of the Items.
- ▶ Assign a diminished value to the Item.
- ▶ After 5-15 years... asset is probably worth less than the purchase price.
- ▶ May be salvage value (10 year carpet).
- ▶ May be lower than straight-line recapture.
- ▶ May change out asset and there is no recapture on the item.



## 1031 Exchange



## Opportunity Zone Investment



# Questions?

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**Don Vincent**

aka “Depreciation Don”  
Senior Account Executive

**CSSI – Cost Segregation Services, LLC.**  
**312-623-7889**

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