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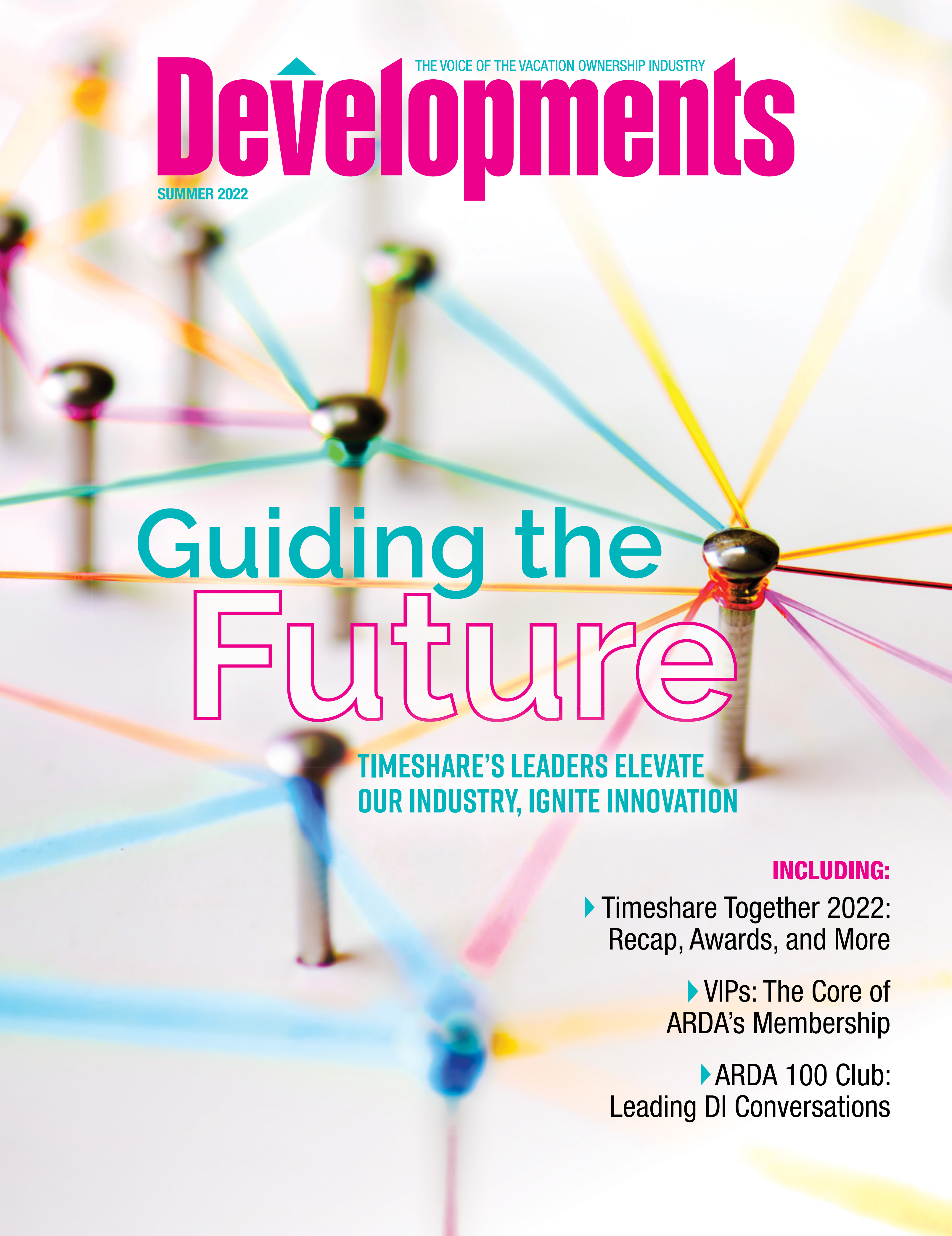
Developments

SUMMER 2022



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Renewable Energy, ROI Becoming Inseparable Partners

100% financing facilitates solar, other energy-efficiency upgrades

BY SHAUN W. O'NEILL

Longtime ARDA and Chairman's League member Shaun W. O'Neill is president and chief revenue officer of Concord Servicing, and a respected strategic thinker and subject-matter expert who evaluates and initiates growth opportunities across multiple asset classes. With Concord since 1997, his focus is consumer lending, servicing, collections, and loss mitigation.

Energy efficiency and cost effectiveness now go hand-in-hand. One-hundred percent financing for such sustainability-related features can be obtained to upgrade existing resorts and homeowner associations or to include many new energy-saving technologies into new builds.

That's the assessment of Jared Meyers, vice chairman and founding director of Florida's Climate First Bank, as well as chairman of Orlando-based Legacy Vacation Resorts. With affordable financing options and the ability to substantially lower future operating costs, Meyers sees renewable energy as a win-win proposition whose time finally has arrived. This comes not a moment too soon, given rising prices in general along with increasing pressures to reduce dependency on foreign-extracted, carbon-based fuels.

Meyers, who is also founder and chairman of St. Petersburg-based Salt Palm Development — a single family, townhome, and condo developer — has documented the financial wisdom of energy-efficiency upgrades in many different types of developments, including his own single-family home. "We've had a 94% energy offset on my home since 2018," he said. "At properties where solar is in the mix, we're looking at 40% to 80% offset. With these savings, we're looking at 15% payback each year, for a 100% payback within seven years.

"Every development can control its own energy costs, which, given high inflation right now, makes solar, windpower, geothermal, and other upgrades a very timely move," he added. "At the resort level, our position is if it's a decade or less payback, we don't require executive approval to proceed. This is a way to pay today's dollars to control tomorrow's energy costs."

Meyers pointed out that longer-term paybacks also merit strong consideration, given today's opportunities amid growing utility costs. "When you consider that electricity bills are regularly increasing, even a 20-year payback with solar — a 5% ROI — makes sense," he said.

By year's end, all Florida Legacy Vacation Resorts properties are slated to be outfitted with renewable energy products and systems. Other properties in Colorado, Nevada, and New Jersey will follow suit. Substantially lower operating costs impacting eight resorts and more than 100,000 families annually will add up quickly. "All timeshare condos are perfect for solar retrofits," he said. "With up to 100% financing, you're paying less starting month one. This obviously makes financial as well as environmental sense."

Meyers added that the best benefits for developers come with being nonprofit or partnering with a nonprofit, such as an HOA.

He also noted that reputable solar installers and manufacturers offer performance guarantees to provide a clear and complete idea of energy offsets going forward. One excellent way to ensure that the installer and manufacturer are reputable is to use an institution such as a bank to vet them. “Obviously, a bank only wants to lend based on solid footing. In addition to vetting, banks also can provide recommendations based on prior experience,” he said.

To ensure that companies get all their ducks in a row, Meyers strongly advises them to do their homework upfront. “You have to get more than ‘guarantees.’ You need the right type of warranties on everything,” he said. “That doesn’t just include solar panels. All other elements, such as inverters, wiring, racking systems, and the like need to be covered by the right warranty.” It’s good to use the right bank — one that knows, understands, and has firsthand experience in this realm, he added.

“Any resort doing improvements can benefit from a complete review of anything that can save energy, and, therefore, energy costs,” Meyers said. “This can include programmable thermostats, HVAC systems, insulation, sealing, appliances, high-efficiency systems, water heaters, [and] the roof itself. The list goes on to include pool equipment, showerheads, faucets, and even flapper devices on toilets. And, then there’s property landscaping, where additional savings can be realized.”

A LinkedIn post by Meyers offers dramatic food for thought: “There is no longer a good reason to postpone upgrades to your condo association or [HOA] with up to 100% financing. … The sad and horrific collapse of Champlain Towers in Surfside, Florida, last year will happen again if condominiums do not upgrade deficient parts of their buildings. And it only makes sense to incorporate energy-friendly upgrades at the same time to reduce your costs and carbon footprint.”

Another incentive for energy-efficiency upgrades now is the likelihood of diminishing tax credits. Meyers noted that today’s dollar-for-dollar 26% tax credit that reduces taxes by that amount is expected to drop to 22% by year’s end. In addition to only paying 74% with the tax credit, participants enjoy accelerated depreciation benefits that enable writing off the equipment much faster, he said.

The landscape is shifting quickly. Seen as an expensive investment for years, energy-efficiency upgrades using renewable energy are now becoming very cost-effective, saving money by substantially lowering utility costs, and providing an excellent hedge against future energy costs. ■