

# CRAIN'S DETROIT BUSINESS

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## Whitney Restaurant, Garfield medical office building go energy efficient with PACE project

By **Jay Greene**



The Whitney

Detroit's historic Whitney Restaurant will be the first Wayne County business to get energy upgrades through the Property Assessed Clean Energy (PACE) program.

The historic Whitney Restaurant in Detroit is getting a green makeover as it becomes the first energy-efficiency project in Wayne County to receive financing through an innovative program.

In Macomb County, the Garfield Metro medical office building in Clinton Township, owned by the Peleman family, will soon begin that county's first energy-efficiency project financed by PACE, the Property Assessed Clean Energy program.

Both projects will massively upgrade the buildings' heating and cooling systems, lighting, controls and window insulation, saving 10 percent to 20 percent or more on utility bills, owners say.

PACE offers property owners long-term loans for energy upgrades at fixed interest rates that owners can repay through their property tax bills.



The Whitney

## How it works

Begun in California, PACE has been approved in 33 states, including Michigan. Some 32 local governments in Michigan have approved it, including Wayne, Macomb, Oakland, Washtenaw and St. Clair counties, to participate along with 10 cities including Southfield, Troy and Royal Oak. Local taxing districts must approve PACE because payments for the projects will be collected as if they are property taxes.

More than eight similar projects in Michigan have taken advantage of PACE, with five to 10 more expected this year, including possibly two more in Southeast Michigan, said Andy Levin, president of Levin Energy Partners LLC. Levin, son of U.S. Rep. Sander Levin, promotes PACE through his company's Lean & Green Michigan program.

"These these two projects are beautiful bookends for the potential of PACE," Levin said. "You have The Whitney, a historically important building, one critically important to retrofit for the future. You have a small medical office building on Garfield Road. Garfield is a symbol of how PACE can help make owners cut their operating costs" and increase their occupancy rates by attracting new tenants.

As electric rates rise and companies look to reduce their carbon footprints, more companies are investigating investments in renewable energy projects like solar and wind or energy-efficiency technologies.

Bud Liebler, owner of The Whitney, said when he heard about how PACE financing works and the 20 percent potential savings, "It sounded too good to be true."

Liebler purchased the 123-year-old former residence of lumber baron David Whitney in 2007 because he wanted to preserve one of Detroit's classic old buildings and keep it open as a public space, he said.

But an old building means upgrades and repairs — expensive ones — and Liebler needed a way to pay for

it. Each year, he spent an average of \$100,000 on operations and maintenance for the mansion.

"We knew we couldn't afford it with traditional bank financing," said Liebler, a former vice president with Chrysler Corp. who also runs a public relations firm on the third floor of the restaurant with his son Patrick.

PACE offered a way past that.

Liebler's \$863,000 PACE loan through Austin, Texas-based Petros PACE Finance will pay for a more efficient heating and cooling system, more efficient 1,600 LED chandelier light bulbs, 214 new storm windows, new building controls and kitchen equipment.

James Newman, CEO of Farmington Hills-based Newman Consulting Group LLC, crunched the numbers for both The Whitney and Garfield, projects he helped coordinate with Levin. The savings, he said, looked good.

The Whitney spends each year an average \$95,000 in electricity and \$25,000 in natural gas for a total of \$115,000, Newman said. After the improvements, he projected \$86,000 in annual utility costs, a 25 percent savings. But on top of those expenses The Whitney spends \$100,00 a year on maintenance for mechanical systems, he said.

Over 20 years, Newman projected, The Whitney would save about \$450,000. "I told Bud that, and he just smiled," Newman said.

## History and challenge

Newman said one of the challenges of The Whitney is that when it was converted into a restaurant in a \$3 million renovation in 1986 by Dick Kughn, the building had no air conditioning. Newman recalled he was the engineer at the time who installed some 30 heat pumps with vents and return grills in the ceilings so no one would notice.

"Those systems last about 30 years with decent maintenance but they were not maintained very well, so they were in bad shape," Newman said. "We ended up installing 24 new heat pumps (for Liebler) and also three gas-fired heating units to warm the outside air in the winter to cut down on the load" for the heat pumps and to increase cost savings.

After the work is done later this year, the 21,000-square-foot, 52-room mansion with hand-carved woodwork, Tiffany windows, 21 fireplaces and period wallpapers and furnishings will not look appreciably different to dining customers, Newman said.



The Whitney



The Whitney

Liebler said he was a little concerned at first about how the change in lighting would change the atmosphere of the restaurant. He said people come to The Whitney for its ambiance and don't want sterile, bright lights.

"We want to make the old as good as you can get" and get great energy-efficiency and cost savings, he said.

With the changes, Liebler said he believes customers will continue to enjoy The Whitney because of its reputation and its history — and its menu and top chefs.

## Businesses see advantages of PACE

Besides The Whitney and the 20,000-square-foot Garfield Metro medical office building, other recent PACE projects include ones at Delta Business Center in Lansing and Powers Distributing Inc. in Orion Township.

Levin said PACE projects have great value to owners and tenants, but they require specialized lenders. Local banks haven't developed expertise yet, he said.

"Every bank does commercial loans and every business has relationships. But nobody (commercial bank) is knocking down your doors to get you to do" a PACE loan.

But Levin said he believes Michigan is on the verge of exploding in PACE.

"There are \$450 million in PACE projects in the U.S., and our pipeline is \$90 million in potential projects, with more than \$30 million in up to four projects in Southeast Michigan," Levin said.

Wayne County Executive Warren Evans said he hopes The Whitney project will encourage other businesses to do similar improvements.

"It has great potential to keep in good shape old historic buildings that are part of the beauty of this county," Evans said.

## Garfield medical office project

Matthew Peleman, who manages the Garfield building in Clinton Township for his parents, said the \$249,000 PACE project that begins later this month will include energy-efficient LED lighting, high-efficiency heating and cooling systems and system controls.

"Our HVAC and lighting systems are 30 years old and to replace it is a huge cost for a family-owned building," said Peleman, whose father Rene Peleman is a gastroenterologist whose office occupies about 20 percent of the 20,000-square-foot building.

Peleman said last year the family explored bank financing and found it unaffordable.

Garfield's 20-year PACE payments will total \$475,000, but utility savings are expected to be \$733,000 over that period.

Another advantage Peleman cited is the ability for him as landlord to market the Garfield building as modern and energy-efficient. He said he hopes to increase occupancy from about 60 percent now to as much as 90 percent.

"One thing PACE does is solve the split-incentive problem, a huge issue in American business," Levin said. "One person owns the building, but the tenant pays for utility bills."

Peleman said marketing the Garfield building is another factor that drew the family to the PACE deal.

"Everybody wants an energy efficient building. It is a huge draw with low energy costs," he said. "Most of the buildings in the area are older. We can be more competitive in a competitive market."

For the Garfield project, BASS Controls and Bumler Mechanical worked with the Newman to develop the project. BlueColt Lighting provided the lighting, Newman said.

Contractors for The Whitney included Carter Mechanical, Dustmen Electric, Kelly Windows, Midwest Illumination, W.J. O'Neil for controls and Daikin for heat pumps.

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