

# Checking In, Plugging Out

**HOSPITALITY:** Hilton Universal City's \$7 million efficiency upgrade sets national standard.

By **ELLIOT GOLAN** Staff Reporter

The country's largest project – under an innovative national program to improve the sustainability of commercial buildings – is underway in Universal City.

The 24-story Hilton hotel at 555 Universal Hollywood Drive will receive about \$7 million of water- and energy-efficiency improvements under the Property Assessed Clean Energy, or PACE, program. The program, adopted in 2009 by Los Angeles County, allows property owners to receive affordable financing for energy-saving improvements. The loan is repaid through a special assessment on property tax bills over a period of years.

"By doing this, we were able to protect some funds for other uses," said hotel General Manager **Mark Davis**. "And it doesn't really impact the balance sheet here at all."

PACE legislation has been passed in 31 states, but the Hilton renovation is the largest ever undertaken. The biggest previous project was announced in July in Sacramento, where Metro Center Corporate Park, a four-building, 250,000-square-foot office park, will receive \$3.2 million in upgrades.

The Hilton Universal City, which was built in 1984 and has 489 rooms, is the largest hotel in the Valley region.

**Structured Finance Associates L.L.C.**, a San Marcos firm that provides capital toward energy-efficient and sustainable upgrades, is providing the \$7 million in financing. The Hilton's owner, **Sunhill Properties L.L.C.**, has 20 years to pay back the loan in bi-annual payments.

Davis would not specify the exact interest rate, but described it as a "little higher margin than a typical secured loan." He added the upgrades will not affect room rates and other customer costs.

The hotel will get new LED lighting, replace its shower heads with low-flow ver-

sions, exchange bathtubs for showers, install electric vehicle charging stations and make elevator improvements.

The upgrades, which began in October and should be complete by early next year, are expected to save the hotel \$800,000 in annual energy costs. They also will save about \$28,000 in water costs a year by conserving 2.8 million gallons of water.

Davis expects that the savings will offset the cost of the loan, making the project cash-flow positive.

**Bruce Baltin**, a senior vice president at the Los Angeles office of **PKF Consulting USA**, a hospitality consultancy, said the project will do more than reduce energy costs.

"There are a lot of businesses and agencies that make sustainability a box you have to check to make a hotel acceptable," he said. "They can market this."

## Program financing

Pace financing was first known as "Special Energy Financing District," and was proposed in the Monterey Bay Regional Energy Plan in 2005. It was focused on the residential market, including solar upgrades and adding insulation.

However, the first city to actually implement a PACE program was Berkeley, under its BerkeleyFirst climate program in 2008. L.A. County got going about a year later before it spread to other parts of the country.

The White House Council on Environmental Quality has been a staunch supporter, lauding the program for being a "means of removing barriers to expansions in the residential energy efficiency and retrofit market."

But home lenders have not been so supportive.

The program took a hit and was put on pause in 2010 when **Fannie Mae** and **Freddie Mac** were not willing to back mortgages that had liens on them associated with PACE



Expansive: General Manager Mark Davis in lobby of Hilton Universal City.

upgrades. PACE loans are senior to other debt, which means if a property goes into default or foreclosure, the PACE lien would be paid before the mortgage on the property.

"The PACE assessment has priority over the mortgage," said **Howard Choy**, general manager of the Los Angeles County Office of Sustainability and PACE program administrator. "The FHFA (Federal Housing Financing Agency) and lenders had concerns and it put things on hold."

Thus the program shifted to the commercial market, where it is structured differently. The county guarantees repayment to the financier, in this case Structured Finance. Twice a year the hotel will pay its property taxes to the county, along with the assessment for the PACE loan. The county then pays Structured Finance what it is owed. The hotel can pay the loan back in full at any point, much like a mortgage.

If the Hilton hotel were to go into bank-

ruptcy and default on all property taxes and loans, the new owner would be on the hook for the loan repayments. Choy said either way, the "financer gets made whole again."

**L. Jean Dunn Jr.**, managing director at Structured Finance, said his firm was founded in 2009 exclusively to finance PACE projects. He said the risk involved in the lending is limited, being tied to the credit of the property being upgraded.

"The risk on the bond is the credit of the property," he said. "But Hilton is very low risk in terms of its credit rating."

## Growing trend

In Los Angeles County, Choy said there are 39 applications for PACE financing in the pipeline, which could amount to more than \$36 million worth of sustainable upgrades.

"This is just the absolute beginning stage

Please see *HOSPITALITY* page 37

# On Assignment Staffs Up, Sheds Subsidiary

**PERSONNEL:** Calabasas jobs firm shuffles businesses in flurry of activity.

By **ELLIOT GOLAN** Staff Reporter

On Assignment Inc. has been busy this month, acquiring two companies and divesting one business, but analysts aren't so sure all that activity will add up to much.

The Calabasas specialty staffing company announced last week that it completed the \$28.7 million sale of its Allied Healthcare Business, which provides professionals for the rehabilitation health care market, to **Cross Country Healthcare Inc.** of Boca Raton, Fla.

It also announced the acquisitions of **CyberCoders Holdings Inc.**, a national permanent-placement recruiting firm in Irvine, for \$94 million, and **Whitaker Medical**, a Hous-

ton physician staffing firm, for \$17.1 million. Both acquisitions come with earn-out opportunities if the units hit performance milestones.

The company's stock has been on a tear all year, up about 50 percent. But the whirlwind of deals failed to do much. Shares were down 2.21 percent since the Dec. 2 announcements, closing at \$33.27 on Dec. 4.

It didn't help that within the announcements there was a downward revision in its revenue guidance for the fourth quarter, mostly due to struggles in its Oxford Global Resources division, which places high-level information technology, engineering and regulatory and compliance professionals.

"In my view, the benefits and costs of all this news were fairly neutral," said **Randle Reece**, a senior research analyst at Nashville, Tenn. investment firm **Avondale Partners LLC**. "Even though they gained a lot from the acquisitions and disposing of an underperforming asset, the news on Oxford offsets that."



Apparently the strategy behind the Allied Healthcare unit sale was to unload an underperforming unit that contributed only about 2.5 percent of revenue and put the money to better use.

Reece said management decided it would be too difficult to get to achieve fast growth given the dynamics of the health industry. "With the uncertain growth rate and customer base, because of health care reform, customers may become increasingly more stingy," he said.

Chief Executive **Peter Dameris** said **CyberCoders**, a business with consistent growth and more to come as the tech industry expands, is a safer bet for On Assignment.

"We are constantly evaluating our business mix and service offerings to ensure that we thoroughly understand the ever-changing demand and service delivery trends in the professional staffing industry," said Dameris, in a statement.

The nine brokers who cover the stock give it an average target price of \$38.78, a 14 percent premium to its current price, according to Thomson Financial Network. Reece from Avondale has a "market outperform" rating on the stock and a price target of \$39.

As a result of the acquisitions and struggles with its Oxford division, the company now expects fourth-quarter profit of 31 cents to 33 cents a share on revenue of \$418 to \$422 million. Wall Street had expected net income of 32 cents on revenue of \$432 million, according to Thomson Financial Network.

# Hospitality: Efficiency Upgrades Include Elevators

Continued from page 5

for commercial PACE," Choy said. "But we hope for a lot more once all the features are understood."

But to date, only one PACE project has been finished locally: The Long Beach headquarters of Teamsters Local 848, which represents truck and bus drivers, completed upgrades this summer. The deal also was financed by Structured.

Upgrades to the headquarters at 3888 Cherry Ave. cost about \$200,000 and included replacing the roof and all the light fixtures in the building. Eric Tate, secretary-treasurer of the union, said the upgrades are estimated to save the group about \$500 a month over the next six to seven years.

Tate would not disclose the amount of the assessment on the Teamsters' property, but did say that the upgrades result in positive cash flow. "This is a great move for us," he said. "It saves money and enhances the value of our building."

The Hilton upgrades will have minimal impact on its business, said Mike Bahr, principal at Sacramento sustainable development firm ReNewAll LLC, which is handling the project and also worked on the Teamsters building.

"Almost all of the upgrades will be done before customers even check in," he said. "There will be almost no impact to the customer."

And the only portion of the upgrades that will take longer than three months and have some customer impact is the elevator work. The Hilton has 14 elevators, including service elevators, which will be shut down in stages. Each elevator will take about 12 to 16 weeks to overhaul. The new elevator motors will use

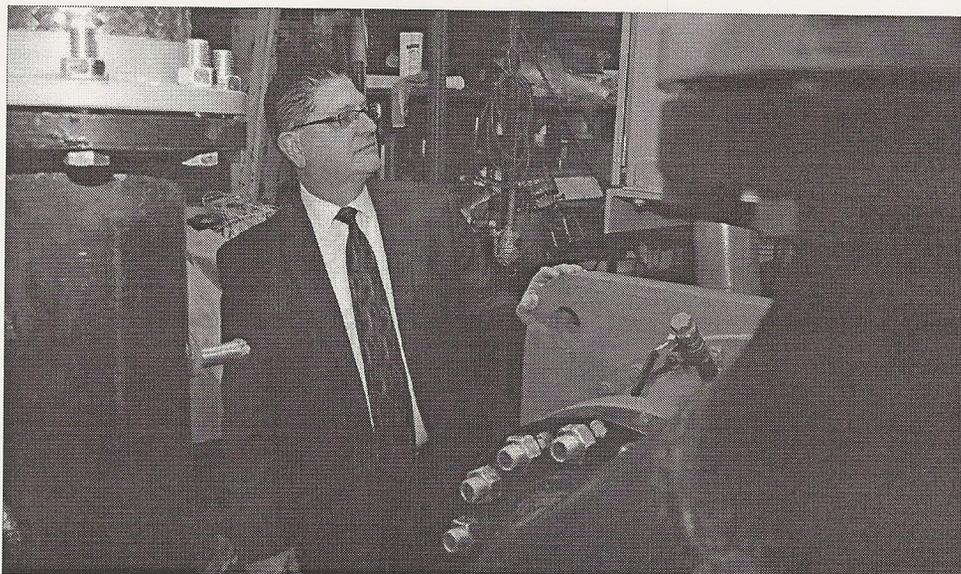


PHOTO BY THOMAS WASPER

Behind the Scenes: Davis checks out the hotel's new chiller, which is supposed to sharply reduce water usage.

60 percent less energy. In addition, when going down, the elevator creates electricity.

But hotels are still a business driven by location, amenities and aesthetics. And the hotel does have more visual upgrades planned for next year. While the Sheraton hotel down the street underwent some \$30 million in ren-

ovations less than five years ago, the Hilton is in need of updating.

Davis, the general manager, said the hotel hovers in the high 80 percent range for occupancy year-round and what he calls a "complete makeover" is in the works, though he wouldn't give specifics. He said the plans are

still in the design phase and have yet to receive the OK from Hilton Worldwide Holdings Inc. in McLean, Va.

"There are companies that will only do business with sustainable hotels, so we need to look good inside and out," he said. "We consider this to be a wise investment and the right thing to do."

## BUSINESS MARKETPLACE

### INSURANCE SERVICES

Do you know what health plan your parents are on?

You should, because their health plan will likely impact your life at some point.

Medicare Annual Enrollment Period is Oct. 15 to Dec. 7. Now is the time to review plans and make changes as needed.



**Paul Davis**  
CA License #0669770  
Paul Davis & Alberta Bellisario Insurance Services  
[www.pdinsure.com](http://www.pdinsure.com)  
[paul@pdinsure.com](mailto:paul@pdinsure.com)  
818-888-0880



- Named one of Valley's Trusted Advisors by the San Fernando Valley Business Journal
- Voted "Best Insurance Agent" for 12 years by Daily News readers

### REAL ESTATE

#### COMMERCIAL REAL ESTATE BROKER



**David Hoffberg, STOR**

818-933-7117

DRE License #912890

"Dedicated to your Success!"



Industrial Real Estate Specialist

Buy ~ Sell ~ Lease

San Fernando Valley ~ Santa Clarita Valley  
Ventura County

[david@go2delphi.com](mailto:david@go2delphi.com)  
[www.davidhoffberg.com](http://www.davidhoffberg.com)

Hard Corner at Roscoe and Van Nuys. Over 81K Cars Per Day. 3 Spaces.  
14441-57 Roscoe Blvd, Panorama City, CA 91402  
Located on the NEC of Roscoe Blvd & Van Nuys Blvd

#### FEATURES

- Approx. 1056 SF, 1074 SF & 1322 SF units available. Max contiguous is Approx. 3,451 SF
- National retail tenants include Verizon, Ace Cash Express
- Adjacent to Bank of America, El Palo Loco
- Highly visible signage facing Roscoe Blvd



#### AREA AMENITIES

- Adjacent to the Panorama City Mall

#### DEMOS

- 1 Mile: 56,446 (Avg HH Income) \$48,683
- 3 miles: 342,480 (Avg HH Income) \$56,282

#### TRAFFIC

- 81,000+ per day, Daily Average Traffic Count

EXCLUSIVE LEASING AGENTS  
818.501.2212

Todd Nathanson x101  
[todd@iilicre.com](mailto:todd@iilicre.com)  
BRE #00823779

Cynthia Luther x112  
[cynthia@iilicre.com](mailto:cynthia@iilicre.com)  
BRE# 01903412



LEASING PROPERTY MANAGEMENT INVESTMENTS

### Get Noticed.

Showcase your ad in the **Business Marketplace** section of the San Fernando Valley Business Journal. **Call 323.549.5225**