



## ZERO ENERGY COMMERCIAL BUILDINGS CONSORTIUM

### Owners and Tenants

### Working Group

#### Zero Energy Commercial Buildings Consortium (CBC)

#### Call Notes

July 20, 2010; 1:30-2:30 pm EST

#### Participants:

Amy Cortese, NBI	Jim Arwood, NASEO
Jeff Harris, ASE	Jack Davis, NEEA
Abi Kallushi, ASE	Elaine Kan, Autodesk
Ron Burton, BOMA	Aaron Needham, Garner Energy Solutions
Mark Bennett, Miller-Canfield	Garth Otto, NASEO
Michael Doane, EcoInsight, Inc.	
Mark Shaurette, Purdue University	

#### Key Conclusions

- We need a more in depth analysis of who moves the market (national or regional).
- Access to data and who receives what data, as well as guidance on this, would be helpful.
- Need an assessment of federal (as well as state and municipal) tax laws.
- Regarding tenant and landlord split incentives, we need an actionable recommendation (not just "utilities and lenders need to talk"), along with some specifics about the problem.

#### Next Steps

- An outline will be put together, which will be used to develop the beginnings of the report.
- There will be a conference call on August 10, 2010, at 1:30pm EST (second Tuesday of the month) which will serve as a touch base and update on the status of the outline and report.
- The deadline for the report is Aug 31, 2010.

#### Meeting Notes:

The call began by altering members to a T&O WG Resource Page that provides links to information as discussed during the previous call's brainstorming session. This will be continuously updated and serve as an ongoing resource for Tenant and Owner Working Group and other Zero Energy Commercial Building Consortium members.

The 1<sup>st</sup> year deliverable is approaching quickly and the main goal is to pull together a year one report. Main areas of focus included market barriers and potential strategies and characteristics of programs that can be successful in this complex marketplace.

#### Split Incentives

Mark Bennett: There is a big educational gap between the landlord and closing the deal. Incentives are complex and difficult to access. How do we get tenants to understand that incentive programs are available? How do we get legal people to deal with the energy issues?

- Ron Burton: There is also no mechanism to complete the rebates. Is there a knowledge gap of understanding that they're available?

Mark B: The market is responding but may need to develop a need a new breed of consultants that are involved in the lease negotiation and provide market access to incentives, such as those who perform Phase I Environmental Site Assessments.

- Jack Davis: NEEA is funded by utilities. He agrees that utility incentive and demand side management programs could be optimized Two worlds are colliding: the M&V needs of utilities and the M&V of financial institutions.
  - Jeff: Let's find a direction for action. Lenders and utilities need to talk to each other: what will the structure for that be? What are some actionable recommendations?
- These needs are for mostly existing buildings; not a whole lot of new construction. Since, the broker is paid based on value of the real estate deal, that means if increased utilities increase the size of the deal and the broker makes more money. Jack: Another is a property management agreement – some contracts have strange disincentives to take action. For example: When a property management contract stipulates that the building should be maintained in current condition” there's no incentive to reduce energy use.

Mark B.: There's a lack of communication between tenant (end-user) and the development community. There's complexity in both the incentive and design process. If we design for a tenant, improvement will result in greater opportunity for energy performance.

More emphasis should be placed on the education aspect; we can accomplish a lot more by having opportunities for everyone involved to understand the process as they enter into agreements and might want to consider that as a strategy to get us to NZE.

Mark Shaurette: We should also be looking forward a few years at commercial speculative buildings. Currently, the barriers are short-term ownership and lack of communication between end user and development community.

- Jack: In a small building, we don't have the opportunity to change much for a long time. But in a large building, you change a lot maybe every year (but that prohibits thinking about the building holistically).
- Jeff: “Anticipatory market transformation” has been expressed in DC by GSA (which drives the market in many ways). The notion is to come up w/ common green or sustainable leases: it's happening locally, but not in larger areas. If this works out we can construct leases for the future.
  - Mark: There is no such thing as “green lease” – it's a thought process and negotiating structure that makes sure you're incorporating these issues; is thought of more as a marketing tool.
  - Jeff: Certain common criteria, if they are expected by building owners, rather than designers and builders, will have to actually comply. If it's expected that LEED silver will be a requirement then developers and construction companies will comply. How can you create expectations on the market on certain commonalities (metering, energy performance, etc.)?
  - Jack: It is difficult to influence things at the local level. Not many nationally based players with that type of impact. There is some movement nationally; IBM has been tinkering with that. At the local market level it's hard to find tenants of the scale other

than government buildings that can wield that kind of reaction. Maybe Microsoft in Seattle?

- Jeff: GSA. Retail anchor tenants may be an example, as well as large banks.
- Jack: One action item might be to identify the major tenants that may be in a position to move the market if they require energy performance.

Another barrier is access to data. Good intention building owners want to measure and allocate energy use. However, the rules of who gets what data are confusing and not necessarily conducive to good communication. Also, tenants don't get feedback. Giving them access to their own data and a range on how they compare to others would be useful. ASTM Energy Performance Standard addresses a lot of those issues (including confidentiality of data).

Other key themes for the report might be:

- Policy
  - Disclosure
    - Sub metering and making energy visible in the market
  - Laws that create disincentives:
    - Municipal laws that prevent the pass through of capital costs
    - Federal tax depreciation schedules of efficiency versus solar
- Private Sector / Market Leasing agreements
  - Green leases
  - Education of market actors about the benefits and costs of efficiency
  - Carbon industry / white tags