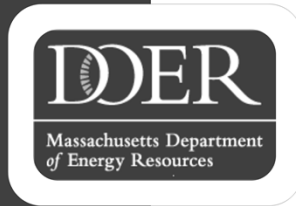


Creating A Cleaner Energy Future For the Commonwealth



Commercial Real Estate Working Group

May 13, 2014

Introduction

EEAC meeting focused on the commercial sector, this is update on CRE WG

Cover 3 things: 1) Background of CRE WG 2) overview of work to date 3) Next steps and Q&A

Outline

1. Background of CRE Working Group
2. Work to Date
3. Next Steps



Background

- PA-sponsored Point 380 Market Opportunity study completed in 2012 identified office as a prime target for energy savings in the near future
- As a result 2013-2015 plan include development of a roadmap to better serve the CRE sector
- Massachusetts GWSA Implementation Advisory Council encourages reduction of GHG from the CRE sector
- Energy Disclosure Ordinances may prompt greater participation in PAs energy efficiency programs

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Context in which CRE WG was started

Mission

The Commercial Real Estate Working Group (CRE WG) seeks to identify barriers and opportunities to create market based solutions that enable energy efficiency investments in the Commercial Real Estate sector.

Members

- DOER – Co-Chair
- Northeast Utilities – Co-Chair
- National Grid
- Commercial Real Estate Councilor EEAC
- A Better City
- Massachusetts Association of Realtors
- The City of Boston
- EEAC Consultants
- Meister Consulting



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1. Conducting research
2. Identifying new, potential approaches
3. Facilitating communication within the CRE sector

All this to advance the Massachusetts Energy Efficiency Program Administrators' efforts to achieve greater savings in the CRE sector.

Work to Date

- Secondary Research Phase – 3/2013 to 10/2013
 - Understand the best practices locally and elsewhere to realize savings through investments in energy efficiency
- Primary Research – 11/13 to 4/14
 - ODC led research effort on behalf of CRE WG
 - Understand Lease Structures
 - EE Decision Making Process
 - Best ways for PAs to approach tenants
 - How customers track energy use



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A Better City research studies on Boston CRE market characteristics

Property Assessed Clean Energy (PACE) Financing - Bill in MA borrow money to fund EE measure and repay as portion of property taxes – up to 20 years.

Boston Energy Reporting and Disclosure Ordinance (BERDO)

NEEA Better Bricks CRE Research

The original schedule called for completion of the roadmap development process earlier, however, the secondary research phase indicated that interviews with market participants, instead of only literature research was necessary to get a full picture of the CRE market in Massachusetts. So the group added in person interviews, and this extended the process.

Opinion Dynamics

Interview Results

- Interviewed 16 Owners and Managers
 - 32% of Boston sqft and 25% of greater Boston
- 90% of leases pass on energy costs to tenants
- 97% of interviewed formally track energy use
- EE upgrades based on periodic system review, costs for upgrades and payback period
 - Many upgrades implemented when use starts
 - Owners tend to be decision makers
 - 5 year or less payback preferred



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Interviewees are Across Class A, B & C space, mostly class A because this is predominate space with larger firms.

Class descriptions from BOMA:

A - Most prestigious buildings competing for premier office users with rents above average for the area.

B - Buildings competing for a wide range of users with rents in the average range for the area. Building finishes are fair to good for the area.

C - Buildings competing for tenants requiring functional space at rents below the average for the area.

Barriers

- Lack of knowledge of EE opportunities and incentives
- Wait time to identify and hire engineering firms that are acceptable to both Owner/Managers and PAs
- Time and cost to conduct feasibility studies for non-prescriptive measures
- Tenants ability to monitor and realize the benefits of EE due to lease structure
- Expected length of the lease



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Opportunities

- Class A,B & C buildings outside downtown Boston
- Buildings close to meeting LEED or Energy Star
- Buildings shifting lease structure
- Standard processes to implement portfolio-wide
- Regular contact is very important
 - Open to more regular contact from PAs about opportunities, incentives and EE suggestions

Next Steps

- Meeting to discuss report and next steps – 5/12
- Meeting to discuss roadmap – May 2014
- Meeting to discuss focus groups – June 2014
- Focus groups – Summer 2014
- Final roadmap – Autumn 2014

- EM&V
 - CRE Market Assessment Study
 - Office Customer Profile study

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Barriers and opportunities

Market based solutions