

09 May 2014

Mr. Joe Guerin, Editor
San Diego Daily Transcript
2131 Third Avenue
San Diego, California 92101

California Energy Commission

DOCKETED

14-EUDP-01

TN 73306

JUL 08 2014

Re: Letter to the Editor
Title: Rethinking Energy Efficiency in Commercial Real Estate

Dear Mr. Guerin:

In the recently released National Climate Assessment Report, commercial real estate continues to play a key role in both creating and helping mitigate the negative impacts of climate change. From tenant transportation to construction materials to waste disposal to power generation to water and energy efficiency - there are few elements of the report that aren't directly or indirectly affected by the commercial real estate industry.

The growing body of knowledge from climate scientists and the growing mitigation attempts on both a state and national level continue to outpace the ability of the commercial real estate industry to integrate these new realities into established business practices.

As the implications and consequences of climate change start to hit closer to home, commercial real estate owners and occupiers looking to improve their bottom line while increasing their energy efficiency find themselves in the same position - stuck!

Here are three familiar and accessible areas of the real estate investment market where small but powerful changes can leverage participation into results for both the bottom line and the environment:

Rethink Lease Language: The greatest impediment to profitable energy efficiency improvements in the commercial real estate investment market is often the lease agreement. The best lease agreements clearly articulate the duties and obligations of each party to the contract by clearly splitting interests between the parties. Once these interests are split, neither party has much incentive to work together to improve energy efficiency of a tenant space or building if they are not going to benefit from the improvement. Lease agreements with language designed to develop a more collaborative relationship between parties around energy efficiency will be well-positioned in the new market.

Rethink Energy Use Disclosure: California's recently implemented AB 1103 requires energy use disclosure in specified commercial real estate transactions using Energy Star Portfolio Manager. Market adoption so far is limited and focused primarily on compliance - leaving money on the table. Opportunity to strategically optimize asset value is created by understanding the methodology behind Energy Star Portfolio Manager and modeling energy efficiency of an asset well in advance of an eligible transaction.

Rethink Data Confidentiality Protocols: Generating meaningful performance metrics from Energy Star Portfolio Manager requires whole building energy use - including all tenant use - and owner involvement is



critical. Occupiers and tenants – especially larger corporations – who have data confidentiality protocols in place that restrict sharing of energy use data with owners can prevent all parties from understanding the energy efficiency performance of an asset or property. Since these are usually internal policies, data confidentiality requirements are easily revised and don't require any changes to the lease agreement.

Energy use management in commercial real estate now requires new business processes, a more integrated approach to property management and a spirit of ingenuity and creativity. Compounded by the typical long-term nature of investment holding periods or the varying length of real estate agreements, finding a solid starting point is difficult. Focused efforts on lease agreements, benchmarking initiatives and more open data sharing protocols should yield immediate results – for the bottom line and the environment.

Sincerely,



Randy J. Walsh, CCIM, LEED AP
Chief Efficiency Optimizer, San Diego Energy Desk

