

HOW TO OVERCOME THE SPLIT-INCENTIVE IN OFFICE TENANT SPACES

Ever try to incorporate energy efficiency into a quick-turn-around tenant space fit-out? All while trying to incorporate utility incentives? And get tenant-and-landlord buy-in? Not easy.

The Barrier. The Split-Incentive issue is a significant barrier to incorporating energy efficiency into Tenant Improvement (TI) projects. Due to the split incentive, utilities often struggle to reach the stakeholders who benefit most from energy savings: [tenants](#). Waypoint developed a utility incentive program that targets efficiency opportunities in the hard-to-reach commercial real estate (CRE) office tenant sector.



The Opportunity. U.S. CRE properties represent nearly 16 billion square feet of floor space. They consume more than 17% of all commercial building energy use and spend over \$32 billion annually on energy. Specifically, tenant spaces comprise a third to half of CRE multi-tenant building energy consumption.

The Timing. The optimum time to improve tenant space efficiency is during lease turnover and TIs; but fit-outs happen so fast, stakeholders often miss energy opportunities and in turn, utility incentives. The challenge communicating with and obtaining buy-in from stakeholders in this hard-to-reach market is faced by utilities nationwide.

Project: Sustainable Office Design

Utilities: Eversource Energy, National Grid

Year Designed: 2013

Project Goal: Encourage the CRE market to adopt high efficiency measures in office TI fit-out projects

Pilot Participants: 15 tenant space projects

Pilot Coverage: 980,000 square feet tenant space

Pilot Energy Savings: 1,899,965 kWh annually



The Program. Waypoint worked with Eversource Energy and National Grid to develop a utility program, Sustainable Office Design (SOD), as a means of delivering integrated and innovative lighting and controls solutions to this space. The program is the first of its kind to directly engage tenants and address the all-too-common issue of split-incentives.

The Details. The goal is to increase the penetration of advanced lighting design and controls into the leased office space, and help accelerate the adoption of new technologies in this market moving forward. The SOD program achieves this through a quick utility application review with a simple \$1/ft² lighting and controls incentive based on achievement of pre-approved energy performance targets. An additional designer incentive aligns the interests of lighting designers and utility program administrators.

Stakeholders involved in the TI fit-out process are generally pleased with the program, ranging from tenants to architects to lighting designers and beyond. Quotes from a few of those involved are listed below:

"I was motivated to help my client meet their goal of a showcase space for very low-energy high-quality lighting, and sustainable interior design. And to get them the incentives to help pay for it."
- Lighting Designer

"I'm really excited about the actual fixtures themselves. They're all really beautiful and great... We work in an environment with the more open space, the better for collaboration. That's how our design process flows... We weren't forced down a path we didn't want to go to meet the SOD requirements." – Architect

"The bright, modern offices are like a breath of fresh air. It not only provides a unique, collaborative work environment but one with high productivity as well."
- Occupant

The SOD Program has overcome many barriers to implementing energy efficiency measures in CRE tenant spaces. Waypoint has mastered an understanding of the complex multi-faceted CRE market, developed a program that meets its needs, and implemented the program in a way that is receptive to the CRE stakeholders involved.



Understanding the CRE market: Waypoint, Eversource Energy, and National Grid worked with CRE experts to discern the unique language that the real estate market speaks. For example: \$ versus kWh, square feet versus KW, and rental rates versus electricity rates. These details enabled the utilities to see energy efficiency through a CRE stakeholder's eyes, and gain an understanding of those players' priorities and motivations.



Developing a program to meet market needs: Leveraging the motivations of dollars and square feet, Eversource and National Grid flipped the traditional utility incentive on its feet by back-calculating estimated savings against incremental cost to meet the incentive criteria, determining that a \$1/square foot incentive value would enable a standard program design to pay back incremental costs within 36 months. This unique value structure simplifies the process and enables smooth budgeting and planning for the TI project.



Implementing a program in a receptive way: By promoting the SOD program not only through the usual sales account manager pathway, but also through existing relationships with TI fit-out architects and lighting designers, Eversource and National Grid successfully spread word about the program at scale. Instead of reaching out to individual tenant customers who may only move tenant spaces once every 5 years, SOD worked to educate the design teams who implement TI fit-outs every 5 days.

If you are interested in piloting a tenant-space energy efficiency program at your utility, reach out to Waypoint info@waypointbuilding.com to learn more and get started, and also visit our website www.waypointbuilding.com/services.

