



**Portland 2030 District  
Decision Making Forum Notes  
Tuesday, May 23rd, 2017**

**Attendees:**

Drew Swenson, Paragon Management  
Ken Matsui, J.B. Brown  
Matt Peters, Avesta Housing  
Todd Dominski, East Brown Cow  
Dave Low, 2030 Architecture Liaison/Agatewood Consulting/Mobilize Maine Energy Action Team  
Jennifer Brennan, GPCOG  
Douglas Martin, W. H. Demmons, Inc  
Ashley Gerry, TPD Construction Co.  
Dan Jacques, North River Company + Waterfront Maine  
Tim Michalake, Norway Savings Bank  
Christopher Kessler, Rook Energy Solutions  
Rick Meinking, Efficiency Maine  
Kimberly Darling, Town of Falmouth  
Tim McMachen, Peoples United Bank  
Tom Gribbin, East Brown Cow  
Jesse Abbott, 43 North  
Justin Lumuntagni, NAI The Dunham Group  
Michael Pulaski, Thornton Tomasetti

**Meeting Notes:**

**Panel Discussion: Perspective, Process and Considerations when Contemplating Energy Savings**

- Mitchel Pulaski started off the panel discussion by explaining three ASHRAE- level energy audit to evaluate a building and its energy usage.
- 1<sup>st</sup> step: Walk through the building and review utility bills. This will allow for the identification of some quick opportunities for energy savings.

- 2<sup>nd</sup> step: Review historical data which includes utility usage information.
- 3<sup>rd</sup> step: A very detailed assessment of the building would include creating a virtual energy that identifies energy usage- calibrating the model with actual energy data. You can test the model by looking at different implementation measures and outcomes.

### **Repositioning, Major Renovation, and New Construction**

- You should perform a detailed energy assessment and make sure to consider day lighting and controls which are critical to include.
- Energy systems such as heat pumps can operate differently.
- From an evaluation perspective, there is more interest in rating systems. There are emerging sets of rating systems including residential for example, passive house. An example is Bayside Anchor in Portland. For new construction there is less than a 2% premium for 50%-60% energy savings which has a return on investment of 5-6 years. This is with very simple HVAC and simple electric heating systems.
- For building envelope upgrades look at the insulation and make sure you have the right level. Know what upgrades will do to moisture levels because that can impact the wall systems.

### **Auditing Costs**

- For a level one \$1-\$2k audit tenants would rather put money into projects. Are there any mini audits? Probably could go to vendors and have them walk the space which is the easiest way to get information.
- Auditing will cost around \$5k-\$10k for an average level two audit. Buildings using an energy calculation model can come up with energy saving estimates and focus more on the envelope of the building.
- Level three audits could cost \$15k-\$20k and take several weeks of time.

### **Retrofits and Cellulose Options**

- Retrofits are very dependent on the cellulose option you choose.
- The cellulose option is the lowest carbon option, spray foam is good in retrofits and it does not need a lot of room, where cellulose you will need 5-6 inches.
- Getting right porosity is important. Closed cavities cause moisture and they need to breathe.
- Closed cell systems on the inside can be done.

### **Where to Start?**

- Ken Mitsui: The place to start is with the low hanging fruit. For a property manager this is the place to start and enjoy saving. Focus on lighting, the operation of mechanical systems, do a level one audit and bring in an expert.
- The struggle sometimes is when it is not in the owner's best interest and sometimes you need to get tenants involved.
- Get upgrades rolled into TI or shared costs.

### **Talking With Tenants**

- Matt Peters: Tenants may ask for energy improvements because of staff retention.
- One effort that could incentivize tenants is to have them pay for heating and cooling.
- Would probably see more interest when separated and would recognize the need to be more efficient.

### **Lease Agreements**

- Drew Swenson: Lease agreements need to include provisions for energy costs, when separately metered tenants will pay for electric/gas.
- When agreements are changed owners should try to get the new language in the lease.

### **When Dealing With Tenants Have You Been Able to Change Things?**

- Drew Swenson: has tried with LED lights. It's hard to force tenants but he does try to steer it. Sometimes they will provide some funding for energy efficiency changes but not always. Anything that benefits the building as a whole would be considered such as lighting.
- Todd Dominski: They have offered to pay for new lighting in the past but tenants have said no. The split incentive is still a barrier.
- Rick Meinking: Efficiency Maine (EM) has a program where tenants pay 25% of cost and landlord pays 25% and then EM will pick up the rest. It will get individuals/tenants talking.
- Tod Dominski: Have not seen tenants asking for part of their allowance going into energy efficiency.
- Ken Mitsui: They haven't considered it because it might be tough for tenants to agree.

### **Lowest Cost Market Solutions**

- Lowest cost solutions are typically implemented. How do they do it in Boston?
- Boston market is different because they have more resources to implement and pay for energy efficiency upgrades.
- Portland is different. When something needs to be replaced investments need to be made then. For larger projects they hire an engineer. Individual can also fuel switch.

- Drew Swenson: Most small building owners do not have the time to figure this stuff out. Vendors may just try to sell something that is not efficient.
- Lowest cost solutions are typically implemented, only.

### **Third Parties**

- Suggest getting three proposals from third party vendors and consultants and then discuss and analyze proposals. Do rule of thumb analytics.
- Have vendors assist for their best investment, ROI, and leverage costs.
- Biggest problem is evaluation. People want a fast answer so they go to typical vendors but do not have time to figure it out.

### **Key Elements to Reach Goals**

- Michael Pulaski: Have ambitious goals. Here are a few key elements to reach these goals:
- 1) Education and increasing awareness is important.
- 2) Create a competitive energy market. Seen in green buildings, the value is based on competition and market derived valued between property owners. If members are committed to energy reductions and to increase ventilation and increase occupancy. These things will drive the market. There are a few levers to help spur the work of the Portland 2030 District.

### **Culture Shift in Portland**

- Portland is a small market. Although East Brown Cow is committed and others this is helping to gain momentum. Have already seen some turnover in Portland.
- Portland seems to be in a middle market. We have some large owners but not many large corporate tenants. Portland has a lot of single buildings owned by families and that's going to be a challenge because they need to be approached differently.
- Energy efficiency drives the market but indoor air quality also is a factor. It is possible to create a healthy, energy efficient building. Thornton Tomasetti used an energy model in a building in Brunswick.
- Haven't seen much change in commercial properties in Portland. The question is how are we going to change this? Overall, see little being done to meet with Portland 2030 goals.
- One particular challenge in Portland is the number of old buildings including building envelope issues, brick pointing and others that are expensive but not related to energy and fuel consumption.

## Brokers

- Drew Swenson: Brokers will be asked to provide more information in the future to prospective tenants including real estate taxes, utilities, etc. Tenants are becoming more educated and they may measure and monitor energy usage.
- Brokers are asking for years' worth of data on buildings.
- Those buildings that are not doing energy efficiency work will find themselves at a disadvantage but it will not happen overnight.

## Why Retrofits are Important

- Drew Swenson: Looking at retrofits and new construction is the right thing to do. It is sustainable and energy efficient. If you put that as your backdrop people will be more accepting of what you are proposing.
- Owners look at investment costs upfront and in the long term. There are potential cost benefits to the landlord and the tenants. Owners tend to do a lot of work when tenants renew their leases, when refinancing and when they purchase new buildings.
- Financing projects over 15 years at a low interest is a best case scenario and doesn't impact cash flow. Owners are mindful of cash flow and some try to do sustainable improvements by mutual agreements and try to set the stage for shared costs.
- Through relationship building with your tenants find out if they have sustainability goals and work from there.

## Costs/Tax Incentives

- One thing they are careful about is CAM costs. Look at lease agreements. Never want to push everything onto the tenants but if you want to work with them you could leverage or share costs.
- Efficiency Maine rebates, federal tax incentives, SEC 179D expired 12/16 typically renew annually. Capital cost, HVAC/lighting could be expensive. May be renewed. There are good DOE energy calculators on-line to determine energy savings.
- IRS has new repair regulations used to be able to capitalize everything. Now should work with your tax person before you do any work. You may be able to write off HVAC and other eligible expenses. Potential savings on "repair regulations" including portions of roofs; there are specific examples in the regulations on roofs. You may phase some of your work to take advantage of the tax incentives.
- What is the pay back? It depends if the project is small, 2-3 years where equipment is closer to 5 years.
- Todd Dominski: five years is a good threshold for payback. The timing depends on the upfront costs.
- Sometimes vendors will help finance an energy efficiency projects, typically larger projects. Always worth talking to a vendor. After you have done a study, pick the right vendor. Staff training is very important. Programmed controls so tenants can change

temporarily. Make sure controls are efficient. They measure to see if anything has changed so to watch for system problems.

- Efficiency Maine offers up to 100,000 sq ft done through perspective pathways. 1.75 sq ft for business owner plus funding for a LEED architect. New buildings or change of use qualifies under the program.

### **Problem Associated with HVAC**

- Douglas Martin: Frustrated in Portland and Maine when they have been bidding on something, their competitors do not have engineers. Plumbing companies can do whatever with no license (for HVAC) necessary owners may not get work that is up to code. This is a problem in the Portland area.
- Energy monitoring: Outside sales from large HVAC tent to be the link suggest putting language that is related to EM and incentives into the sales contract. Try and get vendors that are familiar for EMS program. Anything better than code will be a better project

### **Portland 2030**

- Portland 2030 has some great tools including the “small commercial toolkit”. We already held a financing forum with bankers.
- One of the things that the Portland 2030 district is doing is providing tools and education about culture shift in order to make energy efficiency a choice.
- Working with the appraisers to become the vetting/guarantor of an owner’s building. There’s a sustainability program of the National Appraisers’ Institute but isn’t being used in Maine, yet. If there’s no energy study or analysis who guarantees the numbers? We plan to educate the local appraisers and get them involved in the Portland 2030 District and become familiar with cost savings.

### **Dave Low presented on the 2030 District “Small Commercial Toolkit”**

- This proprietary software is for all 2030 District members up to 50,000 square feet. Takes into consideration plug loads, heating, cooling, lighting etc. and guides you through the process of determining energy investments and savings. You can change the parameters and options.
- This software is for members only and you need a username and password issued by the District.