



1/12/2015

Dear Benchmarking Ad Hoc Committee Members,

Vanta Commercial Properties is one of the largest landlords in the Madison area with over 175 customers conducting business in 2 million square feet of commercial and retail office space in Madison. We understand and appreciate the efforts of the city to reduce energy consumption. As real estate Landlords, one of the major driving factors in providing competitive and desirable office space in the market is to reduce utility costs. In our portfolio, utility expenses are projected to be almost \$2.50 per rentable square foot in 2015, with gas expense almost double per square foot compared to 2012.

We have utilized and implemented several Focus on Energy supplemented projects, primarily associated with lighting upgrades over the past several years. Our company has spent thousands of dollars on LED upgrades in all of our covered parking facilities. These programs have been very successful and the investments have reduced electrical consumption by 50% in the upgraded facilities.

Following the January 2014 Economic Development Committee Energy Benchmarking, Vanta Commercial Properties began the process to collect information required for input in the Energy Star program. Our personal experience of trying to obtain accurate information and input the data was extremely cumbersome. Below is a sample of items that must be obtained from all 27 of our facilities located within the city limits:

- 1) Energy Star requires all electrical meters to be read and recorded monthly. The problem is the Landlord does not have access to all meters, since utility companies can install meters directly into tenants spaces and will not provide a consolidated listing of where all the meters are installed due to privacy protection. Some bills are sent directly to tenants. Tenants cannot be required to report usage or location of meters.
- 2) Energy Star requires all computers and the number of workers per shift to be reported. Tenants cannot be required to report this information or provide updates each time the staff changes or PC count changes.
- 3) Energy Star requires special usages for areas such as data centers or medical facilities to record all IT energy configurations, UPS system and cooling redundancy equipment. Similarly all restaurants and warehouses are required to report size and type of walk-in refrigeration and freezer units currently in use and report any changes in configurations.
- 4) Changes in customer spaces, build outs, etc. are weekly occurrences in the commercial real estate world. Weekly changes would need to be captured and input into Energy Star monthly to have some semblance of accuracy to the output.

In summary, the Energy Star system is cumbersome, labor intensive to update and inaccurate due to its dependence on tenants reporting. This three factors contribute to its non-value add perception and low participation rates.

Vanta Commercial Properties would like to suggest the following for consideration:

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- 1) **Simplify Benchmarking**: Benchmarking can be easily achieved by tracking utility expense controlled by the Landlord, i.e. meters accessible and assigned to the Landlord. Tenant's information is not easily accessible nor are tenants required to provide it accurately. Utility use is currently tracked monthly by any professional Landlord in the market and could be easily reported for benchmarking and trending. Energy Star complicates the process and by design causes inaccuracies. As other markets have proven, participation is low and we believe through first-hand experience that this is caused by the Energy Star unproductive complexity. As a committee member it may prove as a good exercise to attempt to input a building in the Energy Star program to see the complexity first hand, keeping in mind that monthly updates are required after initial implementation.
  - 2) **Education**. Education is the key for creating awareness among commercial office managers. As Landlords, available programs are communicated through informal channels or contractors. A monthly newsletter or periodic publication would increase awareness and participation. Email blasts would help to create awareness of available programs. Landlords, in general, do not know what programs are available from year to year.
  - 3) **Collaboration**. A "best practices" or reporting site could be developed for Landlords to report successful projects and create a collaborative idea center. Facilities are complex and have many variables and it is impractical to get Landlords to accept Energy Star ratings as creating a level playing field for competition. Knowing that the Energy Star system in practice is cumbersome and labor intensive supports what has been proven in other markets, low participation. The main focus of successful benchmarking is creating positive collaboration and the sharing of ideas to obtain results.
  - 4) **Capital**. Energy saving projects require capital investments. Current systems and products require upgrades to achieve long term savings such as auto shut offs, LED lighting and high efficiency HVAC. Any business requires returns on investments. Typical capital improvements that have payback periods of three years or less are acceptable to most investors. Focus on Energy grant contributions are major drivers in helping to achieve these payback goals. Having low cost capital loans or grants available will drive project consideration.
  - 5) **Energy Awareness**. In general, committee members must understand that Landlords are not opposed to saving energy costs. Landlords are well aware of their energy costs. Utility bills are a large expense, over 25% of total expenses required for most office facilities. In order to remain competitive in the market, fill their facilities and remain profitable Landlords must keep all expenses as low as possible. Landlords, like all businesses, are inherently driven to reduce expenses, such as energy costs, to increase profits. Creating additional reporting will not reduce energy expenses, it will only drive up costs due to increased labor caused by reporting.
  - 6) **Total Madison Effort**. In reviewing the total square footage of office and retail space in the Madison market, approximately 43% of the space is occupied by the City of Madison, State Government and the University of Wisconsin. Certainly these organizations have a large impact on energy consumption and could provide valuable input towards working to achieve the city's overall initiatives. These organizations should also be partnered with to find solutions and participate to reduce overall energy use in the Madison market.
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