Concepts for a Sustainable Leasing Policy Incentive Framework

Renée Yarmy
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June 16, 2016
Potential 2020 greenhouse gas reduction sources
Total: 109,830 metric tons of carbon dioxide equivalent reduction by 2020
Collaboration with Tenants is Fundamental

75% of District tidelands are leased

96% of the greenhouse gas emissions
Sustainable Leasing Program

Utility Usage Reporting Ordinance
- Mandatory
- Aggregated Data
- Monthly Data Reported Annually
- Track Progress Toward Climate Action Plan Goals

Sustainable Leasing Policy
- Improve Building/Facility Performance
- Establishes Incentives
- Lease Obligations
- Project Approvals

Metrics & Measurement

Incentives & Performance

Climate Action Plan GOAL
Initiate and input utility usage information into Energy Star Portfolio Manager account by August 1, 2016 and by March 1 thereafter

Share usage information with data aggregator by September 1, 2016 and by April 1 thereafter

Data Aggregator to report tenant reporting compliance data

Data Aggregator to provide consolidated report of utility usage
Utility Usage Reporting Ordinance

- Portfolio Manager Training
- Dedicated webpage
- Green Business Network Newsletter
- San Diego Port Tenants Association Newsletter
- Letter Issued to Tenants (via Real Estate Development department)
- Distributed printed and electronic brochures
- Dedicated Email Address: TenantSupport@portofsandiego.org
A summary of concepts being considered for the Policy include:

- Facility Benchmarking
- Green Performance Standard
- Energy and Facility Assessments
- Continued Outreach and Education for Tenants
- Lease Clauses
- Incentive Framework
Utility Usage Reporting Ordinance

- Mandatory
- Aggregated Data
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Metrics & Measurement

Sustainable Leasing Policy

- Improve Building/Facility Performance
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Incentives & Performance

Climate Action Plan GOAL
Best Practices and Recommendations for Sustainable Incentives

- Minimum eligibility requirements and performance standards
- Incorporate a tiered incentive approach
- Be flexible to allow for innovative projects
- Look ahead; retroactive incentives are not a best practice and do not stimulate new investments
- Allow tenants to bundle multiple projects/technologies for a larger incentive
## Sustainable Leasing Policy – Conceptual Incentive Framework

<table>
<thead>
<tr>
<th>TIER 1</th>
<th>TIER 2</th>
<th>TIER 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable Technology Advancement Funding</td>
<td>Lease Negotiated Incentives</td>
<td>Expedited “Fast Track” Administrative Review</td>
</tr>
<tr>
<td>Range of tenant participation, scaled to business size and greenhouse gas reductions.</td>
<td>Target greater greenhouse gas reductions and encourage deeper investments in sustainable infrastructure through lease modifications and proportionate leasing incentives.</td>
<td>Removal of administrative barriers to projects without a qualifying capital investment (e.g. Power Purchase Agreements).</td>
</tr>
</tbody>
</table>
### Conceptual Sustainable Technology Advancement Funding

Range of tenant participation, scaled to business size, greenhouse gas reduction potential, and project costs

<table>
<thead>
<tr>
<th>Incentive Amount</th>
<th>Incentive Not to Exceed</th>
<th>Incentive Cap per Tenant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Determined by achievement of a minimum project threshold and evaluation of overall project contributions (MTCO$_2$e reduced).</td>
<td>Establish a per application incentives “cap” based on percentage of cost.</td>
<td>Establish a per application “cap” based on total expense.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Project Category</th>
<th>Estimated Annual Resource Savings</th>
<th>Estimated Project Cost</th>
<th>Estimated Incentive Amount</th>
<th>Estimated Annual GHG Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel (High Rise) – Install solar thermal system to heat pool</td>
<td>Alternative Energy</td>
<td>125,000 kWh</td>
<td>$18,000</td>
<td>$9,000</td>
<td>86.2 MTCO$_2$e/yr</td>
</tr>
</tbody>
</table>
### TIER 2 Conceptual Incentive – Lease Negotiated Incentives

**Conceptual Lease Negotiated Incentives**

Target greater greenhouse reductions and encourage deeper investments in sustainable infrastructure through rent ramp ups, lease term extensions, and fee waivers (where viable)

<table>
<thead>
<tr>
<th>Annual GHG Reduction*</th>
<th>Budget</th>
<th>Conceptual Incentives Considered*</th>
<th>Investment Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum Project Threshold and Value / MTCO(_2)e (To Be Defined)</td>
<td>Up to $2M &amp;/or other negotiated incentives</td>
<td>• Lease extension&lt;br&gt;• Rent ramp up&lt;br&gt;• Other fee waivers</td>
<td>Calculation of incentive based on investment similar to BPC 355</td>
</tr>
</tbody>
</table>

Note: MTCO\(_2\)e = metric tons of carbon dioxide equivalent; BPC = Board of Port Commissioners

- Project Application
- Review of Application
- Preliminary Approval
- Inspection
- Decision of Incentive
- Project Completion
- Distribution of Incentive
**TIER 3 Conceptual Incentive – “Fast Tracking” Administrative Review**

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<td>Remove administrative barriers to projects without a qualifying capital investment (e.g. Power Purchase Agreements)</td>
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**Expedited review process for qualifying projects (e.g., Development of a Standard Operating Procedure, Potential Revision to Board Policy 357)**
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<td><strong>Budget</strong></td>
<td>$400,000</td>
<td>Up to $2M &amp;/or other negotiated incentives</td>
</tr>
<tr>
<td><strong>Greenhouse Gas Reduction Potential @ 2020</strong></td>
<td>800 MTCO$_2$e per year minimum</td>
<td>3,000+ MTCO$_2$e per year reduction</td>
</tr>
<tr>
<td><strong>Lease Impact(s)</strong></td>
<td>Waived</td>
<td>Negotiated</td>
</tr>
<tr>
<td><strong>Pilot Project Examples</strong></td>
<td>Tenant Facility Energy Efficiency Retrofits / Equipment Conversions</td>
<td>Large Scale Solar Projects, Capital Improvement Projects</td>
</tr>
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Next Steps

June - August 2016
• Stakeholder Outreach and Engagement
• Final development of Policy recommendations

September 2016
• Board presentation of Sustainable Leasing Policy recommendations
Thank you!

Questions and Answers

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