

Appendix 5

Customer Decision Making Market Assessment

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SECTION 5A

Commercial Real Estate
Stakeholder Survey

Commercial Real Estate Stakeholder Survey

Opinion Dynamics will field a CATI survey with a sample of 300 commercial real estate stakeholders, split between primary decision makers (i.e., building owners and property managers) and tenants. Sources of the sample will include third-party lists.

We hypothesize that tenants think about and approach energy efficiency and capital improvement decisions differently than those who own and manage the leased space. We will ask the same or similar questions of both groups (primary decision makers and tenants) in order to provide perspectives on the types of improvements made by each group and the decision-making processes behind those improvements.

The primary focus of this survey will be to quantify the prevalence of decision making characteristics, including:

- Lease characteristics
- Past and anticipated capital investments
- Investment criteria, funding strategies, and characteristics
- Awareness of, familiarity with, and interest in energy efficiency generally and energy efficiency programs
- Barriers preventing the adoption of energy efficiency

SAMPLE STRATEGY

We plan to stratify the sample by building class and square footage. Within each of these strata, we will sample proportionally by geographic region (NYC/Westchester and the rest of New York State).

Group	Size	Class	Count
Tenant	<10,000 sqft	A	35
Tenant	10,000 – 99,999 sqft	A	20
Tenant	100,000+ sqft	A	25
Tenant	<10,000 sqft	B,C	35
Tenant	10,000+ sqft	B,C	35
Owner	<10,000 sqft	A	35
Owner	10,000 – 99,999 sqft	A	20

Owner	100,000+ sqft	A	25
Owner	<10,000 sqft	B,C	35
Owner	10,000 +sqft	B,C	35
			300

We will also sample proportionally by key commercial real estate segments: office, retail, and other. We define these segments in the table below. Note that the number of total businesses in New York is based on the InfoGroup database.

Granular Segment	Survey Segment	Total Businesses
Office Buildings	Office	141,379
Retail	Retail	92,138
Grocery/Convenience	Retail	21,057
Food Service	Other	36,296
Health Services ^a	Other	143,553
Lodging/Hospitality	Other	4,484
Education	Not Included	31,457
Government	Not Included	12,404
Warehouse	Not Included	30,052
Industrial	Not Included	32,229
Other Commercial	Not Included	37,861
Unknown	Not Included	24,695
Total		607,605

^aThis count of health services includes hospitals, which make up approximately 5% of health services businesses. We will exclude hospitals from this survey.

Survey Instrument

INTRODUCTION

Thank you for agreeing to participate in this online survey. We value your time and feedback. We are conducting research on behalf of NYSERDA, the New York State Energy Research and Development Authority, to help them understand how building owners, managers and tenants make decisions about energy use in their facilities.

The information you provide will be used to improve NYSERDA's programs and will be kept confidential to the extent permitted by law. We will report all responses in aggregate and will not attribute any comments to you or your firm.

SCREENER

S0a. Does your business have a facility located in New York State?

1. Yes
2. No [TERMINATE]

For the purpose of this survey, please think about one of your businesses' facilities located in New York State. Please provide the city and zip code where this facility is located.

MCITY: Facility City [OPEN END]

MZIP: Facility Zip Code [NUMERIC OPEN END] [TERMINATE IF NOT LISTED IN NYS]

S0b. Are you the person most knowledgeable about decisions that would affect energy use in your company's space in <CITY>?

1. Yes
2. No [TERMINATE]

S1a. Which of the following best describes the primary use of this facility?

1. Office Buildings
2. Retail
3. Grocery/Convenience
4. Food Service
5. Health Services
6. Lodging/Hospitality
7. Other [TERMINATE]

S1b. Which one of the following utility companies provides electric or gas service to this facility?

1. Central Hudson
2. Orange and Rockland
3. PSEG Long Island
4. ConEdison
5. National Grid
6. Niagara Mohawk (National Grid)
7. Rochester Gas and Electric
8. NYSEG

[TERMINATE IF MZIP IS NOT IN ZIP CODE LIST AND S1B=9]

[CODE INTO AREAS; 1=DOWNSTATE 2= NYC 3=UPSTATE; BASED ON S1b]

First, we have a few general questions about your company, your facility, and your role in making decisions about energy-use in general and energy-using equipment.

S2. Which of the following best describes your company's relationship with the facility in <CITY>?

- 1 My company owns and manages this facility
- 2 My company owns but does not manage this facility
- 3 My company manages but does not own this facility
- 4 My company is a tenant and does not manage the facility

[PROGRAMMER NOTE: If S2=1 OR 2 set <OWNER>=1, if S2=3 OR 4 set <OWNER>=0]
[TERMINATE IF <AREA> BY <OWNER> IS OVER QUOTA]

- S2a. Does your company occupy some or all of the space in the facility in <CITY>?
- 1 Yes, my company occupies the entire space
 - 2 Yes, my company occupies a portion of the space
 3. [SHOW IF <OWNER>=1] No, my company does not occupy any space

FIRMOGRAPHICS

- F1. What is the square footage of your space in <CITY>?
- 1 Less than 10,000 sqft
 - 2 10,000 – 49,999 sqft
 - 3 50,000 – 99,999 sqft
 - 4 More than 100,000 sqft
- F3. How would you describe the space in <CITY>? Is it...
- 1 Office space
 - 2 Retail space
 - 3 Mixed use space (office and retail)
 - 0 Other type of space, specify
- [ASK IF F3=1 OR 3]
- F4. What class is your office space in<CITY>?
- 1 Class A (The most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high quality standard finishes, state of the art systems and exceptional accessibility)
 - 2 Class B (Buildings competing for a wide range of users with rents in the average range for the area. Building finishes are fair to good for the area and systems are adequate, but the building does not compete with Class A at the same price.)
 - 3 Class C (Buildings competing for tenants requiring functional space at rents below the average for the area.)
 - 8 Don't know

[Create verified Class Type from F4]

[ASK IF <OWNER>=1]

- F2. Does your company own or manage any other buildings in New York State other than the building in <CITY>?
- 1 Yes
 - 2 No

[ASK IF F2=1]

- F5. What shares of your firm's square footage in New York State have the following classes of office space (including the facility in <CITY>)? [NUMERIC OPEN END 0-100%; 998=DON'T KNOW]

- A. Class A
- B. Class B
- C. Class C

[ASK IF F2=1]

- F7. What is the total square footage of the space your company owns and/or manages in New York State(including the facility in <CITY>)? Your best estimate is fine. [NUMERIC OPEN END 0-99,999,997]
- A. owns and manage
 - B. owns but not manage
 - C. manages but not own

CHARACTERISTICS OF ENERGY RELATED DECISIONS

The purpose of the following questions are to understand the decision-making process related to energy use at your building in <CITY>. While there may be exceptions, please try to think about how decisions related to energy use and energy-using equipment are typically made at this facility when answering these questions. The term “energy-related decisions” refers to this concept throughout the remainder of this survey.

- D1. We understand that multiple stakeholders may be involved in making energy-related decisions for a given building. Which of the following is involved in making energy-related decisions at this location? Please select all that apply.
01. Building owner
 02. Property manager
 03. Tenant [HIDE IF S2a = 1 & OWNER=1]
 04. Contractor/construction manager
 05. Architect
 06. Corporate policy
 07. Real estate broker
 00. Other—specify
- D2. Has your company made any improvements to this facility that have resulted in reduced energy consumption in the past five years?
1. Yes
 2. No
- [ASK IF D2=1, ELSE SKIP TO NEXT SECTION]
- D2A. When thinking about the goals for these building improvement projects, is energy efficiency usually...
1. The primary goal
 2. A secondary goal
 3. Not a goal at all
- [ASK IF D2A=1]
- D2B. For what percent of those projects was energy efficiency the primary goal? [NUMERIC OPEN END, 0-100%]
- D4. Thinking about various factors that you may consider when making improvements to this facility that result in reduced energy consumption, how would you rate the importance of... [ROTATE, 1-7 Using a scale of 1 to 7 where 1 means “Not at all important” and 7 means “Very important”]
- a. Operational/maintenance costs
 - b. Return on investment
 - c. Comfort
 - d. Aesthetics
 - e. Contributions to building certifications (i.e., ENERGY STAR, LEED, etc.) [SHOW IF <OWNER>=1]
 - f. Adherence to corporate sustainability policy/initiatives
 - g. Occupant productivity
 - h. Occupant health
 - i. Appealing to new tenants [SHOW IF <OWNER>=1]
 - j. Tenant’s operational/maintenance cost [SHOW IF <OWNER>=1 AND S2a<>1]
 - k. Level of efficiency

CHARACTERISTICS OF ENERGY RELATED DECISIONS

[ASK IF D4A-K ALL<4]

D4L. What factors are most important to your energy-related decisions? [OPEN END]

D5. Thinking about those improvements to your buildings that resulted in reduced energy consumption, do projects occur in any of the following contexts? Please select any apply.

- A. When the building is first purchased [ASK IF <OWNER>=1]
- B. During the tenant build-out process [HIDE IF S2a=1 AND <OWNER>=1]
- C. During periodic reviews of the building systems and their costs [ASK IF <OWNER>=1]
- D. Anytime energy using equipment breaks
- E. Prior to selling the building [ASK IF <OWNER>=1]
- F. Some other time, please specify:

[ASK IF ANY D5=A,B,C,D,E,F AND MORE THAN 1 RESPONSE IN D5]

D6. And what is the share of projects that occur in each of the following contexts? [NUMERIC OPEN END, 0-100%,]

- A. When the building is first purchased [ASK IF D5=A]
- B. During the tenant build-out process [ASK IF D5=B]
- C. During periodic reviews of the building systems and their costs [ASK IF D5=C]
- D. Anytime energy using equipment breaks [ASK IF D5=D]
- E. Prior to selling the building [ASK IF D5=E]
- F. Some other time [ASK IF D5=F]

[ASK IF D5c>0 AND <OWNER>=1]

D7. How frequently do you typically review building systems related to energy use and their costs?

- 1. More than once a year
- 2. Annually
- 3. Every 2-3 years

[ASK IF <OWNER> = 0]

D8. How would you rate the importance of the energy efficiency when you first made the decision to rent the space in <CITY>? [Using a scale of 1 to 7 where 1 means “Not at all important” and 7 means “Very important”]

CHARACTERISTICS OF CAPITAL INVESTMENT PLANS

Next are some questions about your company’s capital and investment planning process.

I1. Does your company have a capital improvement, capital investment plan, or similar plan? (Such as a plan that outlines major building upgrades for one or more years)

- 1. Yes
- 2. No

[ASK IF I1 =2]

I1A. How does your company plan for both major and minor renovations to your building? [OPEN END]

[ASK IF I1 =1, ELSE SKIP TO NEXT SECTION]

I1B. Does that capital improvement, capital investment plan, or similar plan provide a schedule for projects and equipment purchases?

- 1. Yes
- 2. No

- I1C. Does your capital improvement provide financing guidelines for capital improvement projects and equipment purchases?
1. Yes
 2. No
- I2. How often does your company conduct capital investment planning?
1. More than once a year
 2. Annually
 3. Every 2-3 years
 4. Every four or more years
- I3. Does your capital improvement plan include specific guidelines for energy efficiency? (For example, does the plan specify that energy efficient equipment be included in capital improvement projects where possible)
1. Yes
 2. No
- I4. Does your company's capital improvement plan allocate funds to be used specifically for energy efficiency?
1. Yes
 2. No

INVESTMENT CRITERIA FOR ENERGY EFFICIENCY IMPROVEMENTS

Next are questions about investment criteria for energy-related improvements.

[ASK IF D2=1]

- C1. Over the past five years, approximately what percent of your capital spending went towards building improvements that reduced this facility's energy consumption? [NUMERICAL 0-100%, 998="Don't Know"]
- C2a. How important are each of the following financial criteria when you evaluate MAJOR energy-related building improvements? (Think of MAJOR investments as those for which you spend additional time in the planning process. This could include investments for which there is a more rigorous corporate approval process, which require a study of costs and benefits, or are separated from simpler investments by some other criteria.) [ROTATE, NUMERICAL 1-7; 1 is not important at all and 7 is extremely important]
- A. Simple payback period
 - B. Return on investment (ROI)
 - C. Net present value
 - D. Internal rate of return
- C2b. How important are each of the following financial criteria when you evaluate potential minor energy-related building improvements? (Think of MINOR investments as those where the equipment costs less or you spend less time planning what to purchase) [ROTATE, NUMERICAL 1-7; 1 is not important at all and 7 is extremely important]
- A. Simple payback period
 - B. Return on investment (ROI)
 - C. Net present value
 - D. Internal rate of return
- C3A. What other financial criteria do you use to evaluate potential energy-related building improvements, if any? [OPEN END; 96=NONE]

[ASK IF C3A<>96]

C3B. How would you rate the importance of those other criteria? [NUMERIC OPEN END 1
“Not at all important”-7 ”Extremely important”]

[ASK IF C2AA > 4]

C4. For most major projects, what is the payback threshold your company deems acceptable when deciding to proceed with installing energy efficient equipment? Is it...

1. 0 to 6 months
2. 6 months to less than 1 year
3. 1 to less than 2 years
4. 2 to less than 3 years
5. 3 to less than 5 years
6. 5 years or more

[ASK IF C2AA > 4]

C4A. Does your company ever deviate from this threshold for major projects?

1. Yes, but only for very large projects
2. Yes, it has nothing to do with the size of the project
3. No

[ASK IF C4A=1]

C4B. How does your company deviate from this payback range for very large projects?
[OPEN END]

[ASK IF C4A=2]

C4C. Please describe the conditions under which your company deviates from this threshold.
[OPEN END]

[ASK IF C2AB> 4]

C5. For most major projects, what is your required return on investment (or “ROI”)?
[NUMERIC OPEN END: 0 – 100%; 998=Don’t know]

[ASK IF C2AB> 4 AND C5>=0 OR =<100]

C5A. Does your company ever deviate from this standard ROI requirement?

1. Yes
2. No

[ASK IF C5A=1]

C5B. Please describe conditions under which your company deviates from your standard ROI.[OPEN END]

LEASE STRUCTURES / EFFECT OF SPLIT INCENTIVES

Next are some questions about lease structures.

[ASK IF <OWNER>=1 AND S2a<>1, ELSE SKIP TO L2]

L0. Which of the following best describes the lease structure of your space in [CITY]?
Please select any that apply.

- A. Leases where the tenant pays a fixed monthly rent covering all expenses, including utilities (sometimes called a “gross lease”)
- B. Leases where the tenant pays a portion of the utility costs equal to their share of the building’s area based on projected expenses for common area maintenance and utilities (sometimes called a “prorated lease”)
- C. Leases where the tenant is separately metered and pays their own utility bills (sometimes called a “triple net lease”)
- D. Leases with provisions that allow owners and tenants to share the costs and benefits related to energy efficiency improvements (sometimes called “green leases”)
- E. Some other type of lease, please specify:

[ASK IF ANY L0=A,B,C,D,E]

- L1. Thinking about the total square footage of the building in <CITY>, what percent has the following lease structures? [NUMERIC OPEN END 0-100%; CANNOT EXCEED 100%]
- A. Leases where the tenant pays a fixed monthly rent covering all expenses, including utilities (sometimes called a “gross lease”) [ASK IF L0=A]
 - B. Leases where the tenant pays a portion of the utility costs equal to their share of the building’s area based on projected expenses for common area maintenance and utilities (sometimes called a “prorated lease”) [ASK IF L0=B]
 - C. Leases where the tenant is separately metered and pays their own utility bills (sometimes called a “triple net lease”) [ASK IF L0=C]
 - D. Leases with provisions that allow owners and tenants to share the costs and benefits related to energy efficiency improvements (sometimes called “green leases”) [ASK IF L0=D]
 - E. Some other type of lease. [ASK IF L0=E]

[ASK IF <OWNER>=0, ELSE SKIP TO NEXT SECTION]

- L2. Which of the following best describes the lease structure of your space in <CITY>?
- 1. The tenant pays a fixed monthly rent covering all expenses, including utilities (sometimes called a “gross lease”)
 - 2. The tenant pays a portion of the utility costs equal to their share of the building’s area based on projected expenses for common area maintenance and utilities (sometimes called a “prorated lease”)
 - 3. The tenant is separately metered and pays their own utility bills (sometimes called a “triple net lease”)
 - 4. The tenant and owner share the costs and benefits related to energy efficiency improvements (sometimes called “green leases”)
 - 0. Some other type of lease, please specify:

[SKIP IF L2=4]

- L3. Does your lease have a provision that allows owners and tenants to share the costs and benefits related to energy efficiency improvements? These types of provisions are sometimes referred to as sharing allocations or green lease provisions.
- 1. Yes
 - 2. No
 - 8. Don’t Know

FUNDING STRATEGIES

Next are a few questions about how your company typically funds energy-related projects. Funding could include INTERNAL sources, such as cash on hand or EXTERNAL financing such as a company credit card, getting financing through a contractor or retailer, or getting a bank loan.

FS1a. How do you typically fund major energy-related improvements - where the equipment is expensive or you spend a lot of time planning what to purchase? Please think of MAJOR investments as those for which you spend additional time in the planning process. This could include investments for which there is a more rigorous corporate approval process, which require a study of costs and benefits, or are separated from simpler investments by some other criteria. Please select all that apply.

1. Internal sources
2. Contractor financing / Energy Service Company (ESCO) financing
3. Secured loan from bank (a loan using property or assets as collateral or lien on the business)
4. Unsecured loan from bank (a loan which does not require a collateral)
5. Line of credit
6. Equipment financing or leasing (Any method of securing capital for the purposes of acquiring equipment; vendor financing is one form of this, but from a specific source)
7. Company credit card
8. Utility On-Bill Financing
9. Utility Incentive
10. Property Assessed Clean Energy or PACE Financing
96. None of these sources
0. Any other sources of external funding (please specify)

FS1b. How do you typically fund minor energy-related improvements? Please select all that apply. (Think of MINOR investments as those where the equipment costs less or you spend less time planning what to purchase.)

1. Internal sources
2. Contractor financing / Energy Service Company (ESCO) financing
3. Secured loan from bank (a loan using property or assets as collateral or lien on the business)
4. Unsecured loan from bank (a loan which does not require a collateral)
5. Line of credit
6. Equipment financing or leasing (Any method of securing capital for the purposes of acquiring equipment; vendor financing is one form of this, but from a specific source)
7. Company credit card
8. Utility On-Bill Financing
9. Utility Incentive
10. Property Assessed Clean Energy or PACE Financing
96. None of these sources
0. Any other sources of external funding (please specify)

FS2a. Over the past 5 years, has your company had to forgo an energy-related project that met your financial criteria because of access to funding?

1. Yes
2. No

FS2b. In the past 5 years, has your company had to reduce the efficiency level of an energy-related project that met your financial criteria because of access to funding?

1. Yes
2. No

PAST AND ANTICIPATED ENERGY RELATED CAPITAL INVESTMENTS

The next few questions are about energy-related capital investments you may have made in the last few years or plan to make in the next few years.

P1. Has your business made any of the following capital investments in the last five years? Please select all that apply.

1. Lighting
2. Space heating
3. Space cooling
4. Ventilation
5. Refrigeration
6. Building envelope (such as windows and insulation)
0. Other (Specify)
96. None
98. Don't know

[ASK IF P1 = 0-6]

[ASK FOR EACH END USE IN P1]

P2. How many [READ IN END USE FROM P1] improvements you made in the past five years have lowered the space's energy consumption?

1. All
2. Most
3. Some
4. None

P3. Does your business plan to make any of the following improvements in the next few years? Please select all that apply.

1. Lighting
2. Space heating
3. Space cooling
4. Ventilation
5. Refrigeration
6. Building envelope (such as windows and insulation)
0. Other (Specify)
96. None
98. Don't know

[ASK IF P1 = 0-6]

[ASK FOR EACH END USE IN P1]

P2. How many [READ IN END USE FROM P1] improvements you made in the past five years have lowered the space's energy consumption?

1. All
2. Most
3. Some
4. None

P3. Does your business plan to make any of the following improvements in the next few years? Please select all that apply.

1. Lighting
2. Space heating
3. Space cooling
4. Ventilation
5. Refrigeration
6. Building envelope (such as windows and insulation)
0. Other (Specify)
96. None
98. Don't know

[ASK IF P3 = 0-6]

P4. How many [READ IN END USE FROM P3] improvements you plan to make in the next few years will lower the spaces energy consumption?

1. All
2. Most
3. Some
4. None
8. Don't Know

P6. What areas of spending account for the largest share of your capital investment spending? Please select all that apply.

1. Life safety issues or code compliance
2. Cosmetic improvements to the space
3. Energy related investments
4. IT investments
0. Other, specify
98. Don't know

AWARENESS, FAMILIARITY AND INTEREST IN ENERGY EFFICIENT OPTIONS

A1. How knowledgeable would you say your company is about ways to save energy in your [READ IF <OWNER>=1: "building" READ IF <OWNER>=0: "space"]? Would you say that you are...?

1. Very knowledgeable
2. Somewhat knowledgeable
3. Not very knowledgeable
4. Not at all knowledgeable

A2. [READ IF <OWNER>=1 AND S2a<>1: "Do you encourage tenants to", READ IF <OWNER>=0 AND S2a<>1: "Were you encouraged to", READ IF S2a=1: "Do you"] consider energy efficiency during the build-out process?

1. Yes
2. No
3. We did not build out the space/ We moved into the space as-is

[ASK IF <OWNER>=1, ELSE SKIP TO EE1]

A3. Do you track or benchmark the energy use at the building in <CITY>?

1. Yes
2. No

A4. Does your building have Energy Efficiency accreditations such as LEED or Energy Star certifications?

1. Yes
2. No
8. Don't know

EE1. Are you aware that NYSERDA and New York State utilities offer a variety of programs to help businesses improve their energy efficiency?

1. Yes
2. No
8. Don't know

[ASK IF EE1=1]

EE2. Have you participated in any energy efficiency programs since 2014?

1. Yes
2. No
8. Don't know

[ASK IF EE2=1]

EE3. In what year did you participate? Please select all that apply.

1. 2014
2. 2015
3. 2016
4. 2017
5. 2018
8. Don't know

[ASK IF EE1=2 OR EE2=2,8]

EE4. How interested are you in participating in an energy efficiency program offered by NYSERDA or a New York State utility? [1-7 SCALE; 1=NOT AT ALL INTERESTED, 7=EXTREMELY INTERESTED]

BARRIERS TO ADOPTION OF ENERGY EFFICIENCY IMPROVEMENTS

B1. Thinking about barriers that might prevent a company like yours from making energy-efficient improvements, how big of a barrier is each of the following to your company?

[ROTATE, Scale: 1=Not a Barrier, 7=Very large barrier

- a The higher cost of energy efficient equipment
- b Access to financing or capital for energy improvements
- c Resources to plan and implement efficiency projects
- d Uncertainty about the savings from energy efficiency improvements
- e No remaining efficiency upgrade opportunities exist

- f Difficulty finding qualified contractors
- g Knowledge of energy efficient equipment options
- h Limitations of building characteristics, such as age, layout, or construction
- i [IF <OWNER>=0] Limited upside to investment as a renter
- j [IF <OWNER>=0] Length of lease is shorter than payback period

FIRMOGRAPHICS

[ASK IF F2=1]

- F6a. Thinking about how your company makes decisions about energy-using equipment in all of your buildings in New York State, is the decision-making process similar to what you have described for the building in <CITY>?
- 1 Yes
 - 2 No

[ASK IF F6a=2]

- F6b. How does your company's general decision-making process differ from the process used at the building in <CITY>? [OPEN END]

- F8. How many stories is the building at <CITY>?
 [NUMERIC OPEN END 0-997 998=Don't Know]
 [ASK IF F8=998]

- F8a. Does the building in <CITY> have...
- 1. Less than 5 stories
 - 2. Between 5 and 10 stories
 - 3. Between 11 and 30 stories
 - 4. More than 31 stores
 - 8. Don't know

- F9. How many employees are employed by your company at this location?
- 1 Less than 10
 - 2 10-49
 - 3 50-99
 - 4 100-249
 - 5 250-499
 - 6 500 or more
 - 8 Don't know

- F10. What is your job title? [OPEN END]

Those are all of the questions we have for you today. Thank you very much for completing this survey!



SECTION 4B

Stakeholder In-Depth Interview Guide

Stakeholder In-Depth Interview Guide

Introduction and Approach

Opinion Dynamics will conduct in-depth interviews with commercial real estate decision makers. Our sample includes a mix of large building owners and property managers and attempts to be representative of the New York State market (e.g., in terms of building class, building size, and geography).

We will use these interviews to understand of the intricacies of decision making processes in the commercial real estate segment, including businesses' standard processes and when and how they deviate from those processes. Information from these interviews will also be used to fine-tune questions and response categories for the upcoming commercial real estate owner and tenant CATI survey.

Note that this research is designed as in-depth interviews, rather than as a structured survey, to enable us to better explore complex issues. Therefore, some topics will be discussed more fully with some individuals than with others. In addition, the interviewer may ask questions in an order which follows the natural flow of the interview rather than in the order they are provided.

Guide

INTRODUCTIONS

Hi, my name is _____ from Opinion Dynamics, an independent research company, and I'm calling on behalf of NYSERDA. We're conducting interviews with building owners and property managers in order to analyze decision-making in the commercial real estate sector.

BACKGROUND

First we would like to get an understanding of your role at the company and the scope of your commercial real estate portfolio.

1. Please describe your role at [READ IN COMPANY NAME].
- 2a. How many buildings does your firm own and/or manage in New York State? More specifically, how many are in New York City, upstate New York, and downstate New York? [We define "downstate" as including the Hudson Valley region, specifically Orange, Rockland, Sullivan, Ulster, Dutchess, Putnam, and Westchester counties, and Long Island. This roughly aligns with the service territories of ConEd and Orange & Rockland plus Long Island.]

	Number of Buildings			
	New York State Total	NYC	Downstate (excluding NYC)	Upstate
Owned but not managed				
Managed but not owned				
Owned & managed				
Total				

- 2b. What is the total square footage in these locations? [Verify researched sq. ft. totals if available]

	Square Footage			
	New York State Total	NYC	Downstate (excluding NYC)	Upstate
Owned				
Managed				
Owned & managed				
Total				

- 2c. What share of the total square footage in New York state have Class A space? What share have Class B and Class C space? What are these breakouts by region?

	Square Footage (%)			
	New York State Total	NYC	Downstate (excluding NYC)	Upstate
Class A				
Class B				
Class C				
Total	100%	100%	100%	100%

- 2d. What share of total square footage in New York state is office, retail, and other CRE space? Does this vary by region? [If other CRE >0%] What other segments do your buildings/space include?

	Square Footage (%)			
	New York State Total	NYC	Downstate (excluding NYC)	Upstate
Office				
Retail				
Other CRE				
Total	100%	100%	100%	100%

LEASE STRUCTURES

I would now like to talk about lease structures and how they relate to energy efficiency decision-making. First, I would like to understand how leases in your buildings are structured.

3. What share of your firm’s rentable square footage in New York State have the following lease structures? Do these shares vary by region?
 - a. Leases where the tenant pays a fixed monthly rent covering all expenses, including utilities (sometimes called a “gross lease”)
 - b. Leases where the tenant pays a portion of the utility costs equal to their share of the building’s area based on projected expenses for common area maintenance and utilities (sometimes called a “prorated lease”)
 - c. Leases where the tenant is separately metered and pays their own utility bills (sometimes called a “triple net lease”)

Lease Type	Square Footage (%)			
	New York State Total	NYC	Downstate (excluding NYC)	Upstate
Fixed Cost (Gross)				
Prorated Portion				
Separately Metered and Paid (Triple Net)				
Total	100%	100%	100%	100%

- 4a. Do you have leases with provisions that allow owners and tenants to share the costs and benefits related to energy efficiency improvements? These types of provisions are sometimes referred to as sharing allocations or green lease provisions.
 - b. [IF YES] Approximately what percentage of your square footage includes green lease provisions? Does this vary by region, building class, or lease type?
 - c. [IF YES] How are these costs and benefits allocated? Would it be possible for you to provide us with an example of the typical green lease provisions you include? [If yes, arrange to have them send it via email]
 - d. Do you use energy efficiency as a topic for engaging your current tenants or attracting new tenants?
 - e. Do you currently have guidelines or mandates for your tenants regarding their energy usage/efficiency standards or equipment/practices?
- 5a. In a typical building, do all rentable spaces have the same lease structure or do they vary from space to space?
- 5b. [IF VARIED] Are tenants able to negotiate their lease structure or is it fixed for each space?
6. Are certain lease structures more common in certain types of buildings or locations? How so? [Probe for building size, age, space class, building location, ownership/management structure]
7. Are certain lease structures more common for certain tenants? How so? [Probe for business type, # employees, length of time as a tenant, size of tenant space]

CHARACTERISTICS OF ENERGY-RELATED DECISIONS

For the following series of questions, I would like you to think about situations when your organization has replaced equipment or made other improvements to your buildings that have increased its level of energy efficiency. In some cases, increased level of energy efficiency may have been a primary goal of the improvement, in other cases maybe it was a by-product. I am going to refer to these improvements as “energy efficient improvements”.

8. First, can you think of any energy efficient improvements that your organization has made in its buildings? [IF NO, SKIP TO Q14]

CONTEXT SURROUNDING EE PROJECTS

- 9a. Great, I would now like to understand more about the typical context surrounding energy efficient improvements in your NY State properties. When does your organization typically make energy efficient improvements? (For example, are they typically made at certain points during the life of the building, such as...
- When you first purchase the building or before you sell it
 - During the tenant build-out process
 - During major renovations that are not part of the tenant build-out process
 - Whenever equipment breaks, etc.)
- 9c. Does the context vary by equipment type (for example, are lighting improvements more commonly done during tenant changeovers than other improvements)? If so, how?
- 10a. How often is increased level of energy efficiency a primary goal of the energy efficient improvement? How often is it a by-product?
- 10b. [If ever a by-product] Thinking about the instances when increased level of efficiency is a by-product of the improvement. What were the primary goals or motivating factors behind the improvement? How do the energy efficiency improvements fit in?
11. I understand that multiple stakeholders may be involved in making decisions related to energy efficiency improvements.
[Probe for organization (e.g., building owner, property manager, real estate brokers, tenants) as well as the specific person (e.g., sustainability manager)]
- a. From whom does the idea to make an improvement typically originate?
 - b. Who is involved in the decision to move a potential improvement forward once it has been identified?
 - c. Who is involved in deciding how projects are financed?
 - d. Is anyone else involved? Who are they and at what point in the process are they involved?
12. Do energy efficiency projects have different planning and approval processes compared to other projects? If yes, how are they different?
13. How does your organization typically identify potential energy efficiency improvements?
[Probe: Energy tracking and benchmarking tools, energy assessments, etc]
- a. [SKIP IF NOT AN EXTERNAL SOURCE] Do you pay for this service and if so, what is the method of payment? (i.e., subscription, one time fee, etc)
 - b. [SKIP IF NOT AN EXTERNAL SOURCE] How did you first learn about this service?
 - c. Does the strategy for identifying improvements vary depending on the context of the project [Probe on items in Q9 above]? How so?

- d. Is anyone else involved? Who are they and at what point in the process are they involved?
12. Do energy efficiency projects have different planning and approval processes compared to other projects? If yes, how are they different?
 13. How does your organization typically identify potential energy efficiency improvements? [Probe: Energy tracking and benchmarking tools, energy assessments, etc]
 - a. [SKIP IF NOT AN EXTERNAL SOURCE] Do you pay for this service and if so, what is the method of payment? (i.e., subscription, one time fee, etc)
 - b. [SKIP IF NOT AN EXTERNAL SOURCE] How did you first learn about this service?
 - c. Does the strategy for identifying improvements vary depending on the context of the project [Probe on items in Q9 above]? How so?
 - d. What level of visibility do tenants have into their energy use? How so? [Does this vary by lease type]

MOTIVATING FACTORS

14. A variety of motivating factors likely contribute to your decision to invest in energy efficiency improvements in your buildings. What motivating factors typically drive your organization to make energy efficiency improvements. Do drivers vary depending on the context of the project, building type, or other factors?
 - a. [If increase gross rental revenue] In what ways do you find that making energy efficiency improvements allows you to appeal to tenants and increase gross rental revenues [Probe: Aesthetics, tenant comfort, contributions to building certifications, etc]? Does this vary at all by types of improvements, lease structures, or other factors?
 - b. [If increase resale value] How do energy efficiency improvements factor into maximizing the value of buildings' sales [Probe: Lower operating and maintenance costs, aesthetics, tenant comfort, contributions to building certifications, etc.]. Does this vary at all by types of improvements, building type or other factors?
 - c. [If replace old or failing equipment] Do you typically replace old and failing equipment with equipment that is more efficient than is standard for that piece of equipment? If so, what drives you to do so? [Probe: is there typically an alternative? If so why do you choose the more efficient option?]
 - d. [If corporate policy] Can you describe the corporate policies or practices you have related to energy efficiency improvement?

FUNDING STRATEGIES

Next, I'd like to talk a little more about how energy efficiency projects are funded or financed in your NY State properties.

15. Does your organization have a plan, which identifies and provides a schedule and financing guidelines for capital improvement projects and equipment purchases? Some organizations refer to this type of plan as a capital improvement or capital investment plan.

[IF NO CAPITAL INVESTMENT PLAN, SKIP TO Q18]

- a. How frequently does capital investment planning occur?
- b. What types of investments are typically included in your capital investment plan?

- c. What areas of spending account for the largest share of your capital investment budget?
- d. What portion of your budget is available for energy-related improvements? (Note: including all energy-related improvement, not just energy efficiency.)

[IF NO CAPITAL INVESTMENT PLAN, SKIP TO Q18]

16. Does your capital investment plan include energy efficiency improvements? If so, please describe.
 - a. What portion of your capital investment budget is available for energy-efficiency related improvements?
 - b. Is there anyone else involved in decisions related to capital investment planning that we did not discuss earlier? If so, who else is involved?

[IF NO CAPITAL INVESTMENT PLAN, SKIP TO Q18]

17. What percent of energy efficiency improvements are typically covered under your capital investment plan budget vs under your operating budget?
 - a. Which types of improvements are typically covered under each?
 - b. How is the decision made as to which budget an upgrade would fall under?
18. How do you typically fund or finance energy efficiency improvements? [Probe for:
 - Internal sources
 - Contractor financing
 - Vendor financing
 - Secured/unsecured loans
 - Line of credit
 - Equipment financing or leasing
 - Company credit card
 - EE financing through utility
 - Property Assessed Clean Energy (PACE) Financing (Energize NY)
 - Energy Service Company (ESCO)]
 - a. Are there any factors that affect which financing strategy you chose? Please describe.
 - 19. Are there any investment criteria in particular that you typically use to evaluate potential energy efficiency improvements? [Probe for payback period and thresholds, projected hold period vs. payback, EE budget, increase in property value, other factors].
 - a. Are certain criteria more important than others (which ones)?

SPLIT INCENTIVES

Now I'd like to learn more about how costs associated with energy efficiency projects are allocated.

20. For common area or whole building improvements, is the cost of the improvement divided between the tenants and the building owner? If so, how?
 - a. Does this align with the lease structures (i.e., a tenant would pay a prorated portion based on their share of the building area)?
 - b. Does the cost division affect your decision to make energy efficiency improvements in any way? How so?
21. How about tenant spaces? Is the cost of the improvement divided between the tenants and the building owner? If so, how? [Probe for build outs and later retrofits]
 - a. Does this vary by lease type? How so?

- b. Does the cost division affect your decision to make energy efficiency improvements in any way? How so?
21. How about tenant spaces? Is the cost of the improvement divided between the tenants and the building owner? If so, how? [Probe for build outs and later retrofits]
- a. Does this vary by lease type? How so?
 - b. Are there any other factors that might alter the split of costs? Please describe. [Probe for size of tenant, type of improvement or equipment, age of building, previous upgrade plans, length of lease, building class, economy/real estate market]
 - c. Does the cost division affect your decision to make energy efficiency improvements in any way? How so?

MODELING AND PACKAGES

22. To your knowledge, have any of your tenants used in-depth energy models and building-specific packages of energy efficient equipment? These would likely be offered by architecture/engineering firms or brokers.
- a. If so, what share of tenants? What share of square footage?
 - b. Would there be interest among your tenants for modeling and building-specific packages?

BARRIERS TO ADOPTION

23. Are there any barriers preventing you from making more energy efficiency improvements to your buildings? If so, please describe. Are there any other barriers common to the New York market?

WRAP UP

24. Do you have any other comments or thoughts you would like to share?
25. We are also conducting research for NYSERDA on their Commercial Real Estate Tenant Initiative, which is an offering that provides modeling and building-specific packages. As part of that research, we plan to interview owners of Class A building space in the summer. Would you be willing to answer a few more questions in June/July as part of that research?

Thank you for your time today. NYSERDA appreciates your insight and assistance.