

Becoming more energy efficient is an important consideration in today's commercial real estate industry. At a time of increasing energy costs, both developers and their tenants understand that it makes economic sense to develop properties that lower their costs, thereby keeping them competitive in the marketplace.

Local economic conditions determine the levels of efficiencies and costs that can be absorbed in a given market. Because all markets are not equal, however, nationwide energy mandates for all building types would create a disincentive to develop newer properties in markets that cannot absorb the added costs. Rather than setting nationwide mandates which would prevent construction of more energy-efficient buildings in some areas, local markets should be allowed to develop so that sustainable technologies are available within a reasonable cost and become the norm.

### **NAIOP supports incentive based solutions to help the real estate community reach higher levels of energy efficiency:**

- **Energy Savings and Industrial Competitiveness Act:** NAIOP supports S. 1392 (Shaheen/Portman) and H.R. 1616 (McKinley/Welch). These companion bills advance building code efficiency targets while taking into account upfront costs to developers, and include realistic payback schedules for increased energy improvements.
- **Energy-Efficient Commercial Building Tax Deduction (179-D):** The federal incentive expired at the end of 2013. In addition to reinstating the deduction and ultimately making it permanent, the deduction amount should be increased and retooled to make it more usable for retrofits.
- **Federal Rebates:** There has been great success for encouraging residential building owners to purchase energy efficiency appliances with federal rebates. A similar approach is needed for energy efficient equipment installed in commercial buildings.
- **Better Buildings Act:** Also known as Tenant Star, would create a federal program designed after Energy Star for buildings that would provide recognition to tenants that reduce their energy use compared to similar occupied spaces around the country.

### **Additional information:**

- Most developers cannot implement energy saving measures with more than a 5-year payback.
- There are limits within the confines of a building code as to what can be done to increase energy efficiency. Energy codes generally only regulate the building's envelope (roof, wall and floor insulation) mechanical and lighting systems. Much of a building's energy use falls outside the purview of codes and will not be affected by an increase in code efficiency.
- Since 2002, commercial building energy codes have already achieved gains approaching 50 percent. These substantial gains have been achieved in just the last three code cycles: 2004, 2007 and 2010.
- Efforts to encourage states to update their building codes should remain voluntary and not be tied to federal funding requirements.
- Attempts to mandate that building owners disclose the energy usage of buildings to the public ("Energy Benchmarking") are ill-conceived because most of the energy used in buildings is actually controlled by the tenants, not owners and managers. Oftentimes, building owners do not have access to the energy bills of individual spaces. It is unfair to stigmatize a "whole" building because some tenants might have high energy needs and demands.