WHAT EPA ENERGY STAR BENCHMARKING MEANS TO MULTIFAMILY

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What started as a voluntary computer and printer labeling program in 1992 has expanded into a far-reaching international standard, and ENERGY STAR is still expanding its reach.

The first thing that comes to mind for most when they think about the EPA ENERGY STAR program is the bright yellow EnergyGuide labels thar are affixed to new appliances. They guide consumers in choosing the most energy-efficient products and put pressure on manufacturers to create products that are friendlier to the environment.

Now ENERGY STAR is on the move from below the kitchen counter to the entire multifamily building. And this should matter to everyone in the apartment industry, especially as increasing number of municipalities impose regulations that mandate energy consumption reporting to the EPA's ENERGY STAR Portfolio Manager. Portfolio Manager is an interactive energy management tool that facilitates the tracking of energy and water consumption across an entire portfolio of buildings. Portfolio Manager collects specific information about a property's energy systems and assets.

To envision how this may apply to multifamily, one can look at how ENERGY STAR works today for industrial and commercial buildings. The EPA has created an energy performance rating system that scales from 1 to 100. It offers a reliable method for benchmarking the energy efficiency of buildings against comparable facilities. The ratings can be used to evaluate the performance and identify opportunities for implementing efficiencies. Buildings and plants may earn Energy Star recognition if they score 75 or higher.

ENERGY STAR COMES TO CHICAGO

Chicago recently joined the growing list of cities that will encourage a green agenda by requiring energy reporting. Last fall, the Chicago City Council passed the *Building Energy Use Benchmarking Ordinance* (Chapter 18-4 Chicago Municipal Code). The Ordinance places specific requirements for energy reporting on approximately 3,500 buildings in Chicago, starting with the largest buildings initially and expanding to include the majority of multifamily properties when fully implemented over the next two years. The Fouth Quarter 2013 issue of *Aptitudes* has an excellent article that details the specific requirements of the Ordinance and the exact timing of implementation. The reporting process is relatively simple and the penalties for non-compliance are less than severe. The information entered into the program will become available to the general public in the following years.

LESSONS FROM NYC

Chicago is not a pioneer in requiring energy reporting for multifamily buildings. New York City has had Local Law 84 in place for two years. The data set from New York consists of 26,000 buildings that are more than 50,000 square feet and comprise about 2.25 billion square feet in total. As reported by The *Atlantic Cities*, two percent of New York's properties are consuming forty-eight percent of the total energy that is used in the city. Some of the more interesting highlights from the first summary report include these

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observations: the average energy efficiency of buildings increased (perhaps because of the program) and some old buildings are using less energy than some of the new energy-efficient buildings.

WHAT'S NEXT

ENERGY STAR has emerged as the sole standard for reporting and monitoring building energy efficiency. It has become the mandatory reporting tool for most jurisdictions. There are at least nine major cities (Chicago, D.C., NYC, San Francisco, Philadelphia, Boston, Seattle, Minneapolis and Austin) and two states (California and Washington) that require some level of reporting or benchmarking of multifamily buildings. In addition, there are more than two dozen municipalities with some form of regulation pending that will require reporting.

The multifamily community has not been quick to embrace mandatory reporting. Multiple factors contribute to this including a reluctance to incur additional administrative burden and expense, fears of where regulations may lead and concerns over the marketability and valuation of under-performing properties.

Any new reporting requirements necessarily requires additional administrative efforts by property managers. The only unanswered question is how much it will cost. It is not unusual for those outside an industry to underestimate the true cost of managing new initiatives including the opportunity costs of the resources that must be reassigned. If the recently enacted reporting regulations can deliver energy savings of 4 percent or more as they appear to in NYC, then this should be an investment with a positive payback.

Regulation can be a slippery slope with a gradual creep towards more stringent requirements and ever-greater burdens and expenses on businesses. A common sense approach where the EPA facilitates uniform reporting without imposing minimum standards)think, CAFE and the Gas Guzzler tax for MPG requirements for cars) will serve everyone better in the long run.

Whether residents will care in a material way if their building is a little more or a little less efficient than one down the block that has not been tested in a real way. If it follows the same pattern as other consumer actions, then there could be a niche market for green-minded consumers who will pay more rent to live in a more efficient building. For the majority of consumers, the basic value proposition of what they get for their money is typically where it ends.

The EPA is currently considering a scoring system for multifamily buildings and the next logical step after that would be a certification program. Expect an announcement from the EPA sometime in Q1. ■

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