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A fasten your seatbelt moment – Local Law 33 is now in effect for building owners - by George Crawford

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For properties that lease office space and residential buildings, Local Law 33 may well become a “fasten your seat belt moment.” By now, all owners of covered buildings (50,000 s/f or larger) are familiar with the Annual Reporting Requirements of LL 84 – Benchmarking. Smaller buildings that are 25,000 sf or larger, will need to comply next year.

For most, Benchmarking is thought of as a technical requirement, which includes the collection of water and electric usage as well as fuel consumption. The compilation of this data is then uploaded to a NYC Department of Buildings Portal. The uploaded data for each building is then reviewed and analyzed. Similar categories of buildings are compared against one another and numerical scores are awarded based on the efficiencies of each of these buildings. Scores range from 1 to 100 with 100 being the best score for energy efficiency and 1 the least. Each score for each building is posted on a DOB website. So while technically this information is public, from a practical standpoint these scores do not have wide public knowledge. With Local Law 33 that is all about to change.

Most prospective tenants relate to the concept of green buildings – a commitment to energy conservation. You can expect these same tenants to prioritize renting in buildings that are committed to energy conservation - usually supported by a high energy conservation rating such as Energy Star. Many landlords pursue Energy Star in order to display their Energy Star Designation to attract these very tenants.

So now comes the fasten your seat belt moment. Local Law 33 converts the numerical Benchmarking scores to letter scores ranging from A (the most energy efficient) down to D (poor). These letter scores must be prominently posted. Here is the problem, especially for buildings that consider themselves in the A category. There will be very few buildings awarded an A. Most well managed buildings with excellent energy efficiency ratings, will only receive a B – which must be posted. The reason for the very limited number of A ratings ties back to the mechanics of the calculations for these awards. As mentioned above, Benchmarking scores range from 100 down to 1. The average Benchmarking score in NYC is 60. A score of 75 or above is considered excellent and qualifies the building for an Energy Star Designation. With Local Law 33, the A rating will only be awarded to buildings with scores of 90 and above. The reality of this A rating calculation is that only buildings, recently constructed, and built with the very best energy saving technology will qualify for the A rating. For the rest of the buildings, which would normally be in the A category, a B rating will be awarded. Starting in 2020 these ratings must be posted by each public entrance.

A large B rating posted by each public entrance is not the image that a quality buildings wants. When was the last time you ate in a restaurant with a B rating posted by its entrance? Probably never. This rating change from A to B will present an image challenge for quality buildings. Quality buildings will need to redirect the negatives of their B rating on to the more positive energy saving aspects of their building.

One very practical solution in terms of redirecting the perception from negative to positive is to accelerate building plans for energy saving measures such as a LED upgrade. A LED upgrade is suggested because it has a high visual impact and is widely accepted as a meaningful energy

savings measure. From a landlord's perspective, it offers an opportunity to comply with other important requirements, as covered below:

A well designed LED installation conveys "energy savings" with capital letters and will upgrade the look of any building, including high visibility areas such as the lobby, corridors and exterior.

A LED upgrade will help address LL 88 compliance - which requires all covered buildings to upgrade to LED. Commercial buildings need to upgrade 100% of their interior spaces.

A LED upgrade will save on energy consumption which immediately translates to electrical cost savings. Reduced electrical costs will always result in a project payback – usually two years on average.

So with your LED upgrade, you should easily be able to move the conversation away from the B rating on to the positives that LED installations offer. Upgrading should help in demonstrating your building's commitment to energy savings, as well as to highly improve the quality of lighting in your building.

In terms of savings, here are some actual common area numbers based on an average 200,000 s/f office building. In the common areas, that is the lobby, corridors, stairs and basement, the lighting consists of 1,280 lamps/fixtures that will consume 425,000 kWh for a total annual cost of approximately \$100,000.

Following the LED retrofit, electric consumption will drop to an average of 127,000 kWh for a total annual savings of \$70,000. The LED retrofit will cost about \$140,000, including installation. With the annual savings of \$70,000, the LED retrofit will have a two year payback period. Most office buildings, larger or smaller, can expect similar savings along with the two year return on investment for their LED retrofit.

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