



Question of the Month: Are there additional value add-ons for LED retrofits? There are at least three - by George Crawford

April 04, 2017 - Owners Developers & Managers

George Crawford, Green Partners

Question: Are there additional value add-ons for LED retrofits?

Answer: Yes, there are at least three - read on.

LED retrofits will always save on energy costs when replacing fluorescents and incandescents, but why stop there? If you are going for a LED upgrade, be sure you get full value. There is no good reason to leave any money on the table.

Here are some value add-ons for your LED retrofit project:

1. Tax Benefits: EP Act 179D Tax Deduction. This tax benefit was in place from January 1st, 2006 until December 31st, 2016. For projects completed during this ten year window, this tax benefit allowed building owners to take tax deductions of up to \$1.80 per s/f, provided the building meets certain energy efficiency targets. Charles Goulding of Energy Tax Savers, Inc. advises that “LEDs are so efficient that a LED retrofit completed during this ten year window will usually trigger some level of incentive. As for warehouses and manufacturing buildings, a LED retrofit will almost ALWAYS trigger the maximum tax benefit of \$1.80 per s/f. If the tax benefit exceeds the project cost of the LED retrofit, then other qualifying upgrades can be added to the “179D Deduction Fund.” Qualifying upgrades can include HVAC, roof, windows and insulation projects. These add-ons to your “deduction fund” need to be completed projects starting on or after January 1st, 2006 and ending on or before December 31st, 2016. To walk through the math, take a 100,000 s/f warehouse as an example. The LED retrofit triggers the \$1.80 per s/f tax benefit or in this example \$180,000 in potential tax deductions. However, the LED retrofit that triggered this benefit cost only \$50,000. So there is a balance of \$130,000 remaining in the “deduction fund.” Now go back to the ten year window - January 1st, 2006 to December 31st, 2016 - and identify one or more completed projects that can use up the remaining balance of the “deduction.” Note these benefits have real value for companies that own buildings that are reporting profits. Some owners even plan building projects around a LED retrofit “trigger” in order take advantage of these 179D tax benefits. Going forward, it is anticipated that the 179 D Tax Deduction window may well be extended for another year.

2. LED Product – Take advantage of the newer LED technology to maximize the increase in energy savings levels – which will result in lower electric utility charges. Examples follow: Take for instance the standard “one for one” lamp replacement - an incandescent A19 lamp for a LED A19 lamp of lower wattage. There is now a better solution. Brian Kennedy of TerraLUX advises, “The smart move is to utilize the latest LED “engines.” A good example of this approach is retrofitting an existing four-lamp ceiling fixture. Replace the 4 incandescents with one LED retrofit “engine” – instead of four LED lamps. The four LED lamps will result in energy savings, but the LED retrofit engine will save more energy and comes with a much longer manufacturer’s warranty – 10 years. Or consider

the TerraLUX bi-level battery backup stairwell fixture for a fire stairs installation. This fixture consumes only 7 watts in the dim mode and 12 watts on high. The 90-minute battery back-up, bi-level lighting and the occupancy sensor in this fixture are all covered with a ten year warranty. Result – more value added to your retrofit with the additional energy saved and a longer operating life with the new LED engine.”

3. Incentives - Rebates for LED retrofits can have a real impact and improve the economics of any qualifying LED Retrofit. In terms of “leaving money on the table” don’t even think about a LED retrofit without a full understanding of your rebate options. Con Ed has recently revised its incentive programs. The commercial and industrial funding platform has been expanded and now includes small facilities. The multifamily program, which covers only common area lighting, has also been streamlined for a quicker turnaround and covers both large and small multifamily buildings. In terms of paybacks, if your retrofit will include the replacement of both incandescents and fluorescents, you can expect a project cost payback between one and two one-year’s time from the combination of your Con Ed rebate and the energy savings from your LED upgrade. If the retrofit includes only fluorescents, then the combination of energy savings from LED and the rebate will be in the two year range. Be advised, however, that this rebate gift package comes with a warning label. These rebates will not last indefinitely. The longer you wait, the less money there will be in the rebate pot. So the smart move is to start the process of Local Law 88 compliance, which requires a LED retrofit, and reach out to a Con Ed participating contractor or Con Ed marketing partner to get started on the right track.

George Crawford is the principal of Green Partners, New York, N.Y.

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540