



Energy code changes brings new opportunities for landlords and developers

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We all know that energy codes in the U.S. have become much more stringent in the past 5-10 years. At the same time, enforcement of the energy codes has been inconsistent from region to region. So, considering these mixed messages about the importance of energy, and knowing that the landlord can lump building energy costs into rent or CAM charges, how should builders and developers know how to balance a project's first cost against increasing the building's energy efficiency?

First, it is important to note that increased energy efficiency is not optional, it is mandated, and that enforcement is improving dramatically.

Since 2000, most states have been adopting some edition of the International Code Council (ICC) code family as their model codes, some with local amendments. As such, many states follow the International Energy Conservation Code (IECC). Some states such as New York have adopted their own energy code based on the IECC, but use an edition of the ASHRAE/IESNA 90.1 energy standard as the model energy code or as an alternate. The ICC codes are generally updated every three years and there are varying time periods from state to state for adoption of the new code.

With each successive edition of the IECC or ASHRAE/IESNA 90.1 Standard, the bar is raised regarding the energy efficiency requirements for building systems. For example, in our practice, we have seen the power allowed for lighting on a steep and steady decline for most building types. In retail and dining applications, some codes have included additional allowances for display lighting, but these provisions are going away.

And the trend toward reducing energy use will continue into the foreseeable future. Reportedly, there are proposed amendments to the IECC that would require commercial buildings to be 20% to 25% more energy efficient than buildings designed to the latest IECC. And should the American Clean Energy and Security Act of 2009 (ACES) be passed in its latest form, those percentages will increase. In addition, under the proposed IECC amendments, renewable energy would be a required source of power in a building.

A major issue with these increased restrictions is cost. Achieving the latest energy efficiency standards primarily involves the use of more efficient and expensive equipment. But it is also important to provide more controls for that equipment -automatic or manual-based on time-of-day, occupancy, daylighting or other factors. More controls usually include more devices, wiring and labor, and therefore cost more money to implement.

But landlords and developers can look at new energy standards as an opportunity to find ways to save first costs and operating costs in their facilities. And green building can be a marketing boon for attracting prospective tenants.

Depending on the project's location, there may be incentives in the form of funding and/or tax credits to help offset the first costs of installing energy efficient or renewable energy features.

The local utility often provides incentives to offset the installation cost of efficient HVAC equipment, lighting fixtures/designs, and controls. There are other programs that require a building energy simulation for proposed efficiencies.

Many states offer tax credits for utilizing renewable energy and there are ways to minimize the initial cost. For example, many providers of solar PV systems will install their systems at little or no cost through a Power Purchase Agreement (PPA). The PPA is an agreement to buy the generated power from the provider at a negotiated price that will eventually be lower than the projected utility rates.

In addition, there are products available that will enable owners to pass more costs onto their tenants. For example, in lifestyle centers or malls with central plant heating/cooling systems serving multiple tenants, there is a temperature control product available with multiple benefits to the landlord. It not only satisfies the energy code controls requirements but also allows the landlord to bill a specific tenant that runs the system during off hours.

It is the responsibility of registered architects and engineers to design to the applicable codes, including the energy code. Design professionals understand that the first cost of a building will generally increase as it is enriched with more energy efficient and renewable energy components. The good news is that by addressing energy use with your design team, utilities and state agencies, the building owner can plan for meeting or exceeding the energy code while controlling the impact on the project's bottom line.

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