

# Benchmarking & Disclosure

## Empowering Consumers with Building Energy Performance Information

The real estate market cannot value the energy performance of buildings without reliable and standardized energy performance information. Benchmarking and disclosure policies empower tenants, investors, lenders, and building managers with the ability to compare the energy efficiency of buildings and make informed decisions when they lease, buy, finance, or manage commercial space. Many building owners and managers already benchmark to compare their properties with the rest of the market.

## Background

One step beyond tracking raw energy usage, benchmarking is the practice of comparing a building's energy performance to itself or other similar buildings. Benchmarking allows building owners and operators to establish an energy performance baseline, monitor performance over time, identify investments in energy efficiency, and verify energy savings. Publicly disclosing benchmarking information, as the policies of several cities now require, ensures that the real estate marketplace is informed about building energy performance. Similar transparency rules in other markets, including fuel economy labels on vehicles and nutritional labels on food, are recognized as consumer rights and keystones of free and fair enterprise.



*On Earth Day 2009, New York City Mayor Michael Bloomberg announced the Greener, Greater Buildings Plan which includes a requirement to rate and disclose the energy performance of commercial buildings.*

A number of cities and states have recently passed commercial benchmarking and disclosure policies leveraging the ENERGY STAR Portfolio Manager tool, a free, web-based benchmarking tool administered by the U.S. Environmental Protection Agency that is widely used by the real estate industry, governments and businesses.<sup>1</sup> Portfolio Manager provides a numeric energy rating for most buildings, as well as other energy performance metrics. ASTM International recently released a standard that measures building energy consumption and costs,<sup>2</sup> and the American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) is developing a new energy benchmarking system.<sup>3</sup>

## Benefits

**Better Energy Management.** You can't manage what you don't measure, and not all building operators measure the energy performance of their buildings. Benchmarking enables owners and operators to monitor energy performance over time, identify and prioritize energy efficiency opportunities, and verify energy and cost savings. According to a 2011 industry survey by Johnson Controls, building owners who monitor energy performance are more likely to make investments in energy efficiency.<sup>4</sup>

**Market Transparency and Demand.** In today's market, building energy performance is a "blind spot" for many commercial tenants, investors, and lenders. Disclosure of building energy performance information creates transparency that helps tenants and investors compare buildings, predict energy costs, and invest in buildings where utility bills are lower, driving more competition and demand for energy-efficient buildings.

**Fiscally Responsible Job Creation.** Energy and real estate service firms have frequently advocated for local benchmarking and disclosure policies. Raising consumer awareness and driving market-based demand for energy-efficient buildings spurs new business opportunities and job creation for companies in the construction, design, energy assessment, engineering, and facilities and property management fields. In New York City, some local businesses are expanding their payrolls and adding hundreds of clients in response to the local benchmarking and disclosure policy.<sup>5</sup>

**Better Policies and Incentives.** Most benchmarking and disclosure policies require the submission of benchmarking data to local governments. Policymakers can use this wealth of building energy performance information to better understand their local building stocks, which will lead to more effective public policy and targeted incentive programs that can achieve greater energy and cost reductions for fewer taxpayer dollars.

## Getting Started

The scope and structure of rating and disclosure policies must be defined early in the process, especially related to the types of buildings that need to benchmark; the disclosure mechanism; and the implementation schedule. There are also a number of stakeholder groups that should be engaged early, including real estate owners, utilities and energy efficiency businesses.

### Step 1: Define Policy Scope.

Policies should apply to commercial buildings and government buildings, and may additionally include multifamily buildings. Current policies are leveraging ENERGY STAR Portfolio Manager to generate building energy performance metrics and ratings. Most benchmarking requirements are annual. Disclosure can occur either publicly, where information is posted to a web site, or at the time of a transaction, where information is conveyed only to transactional counterparties.

### Step 2: Define the Implementation Schedule.

Most jurisdictions are implementing policies over several years to give the private sector ample time to comply. Policies are often phased-in according to building size, with larger buildings reporting first. Government buildings should benchmark and disclose before privately owned buildings.

### Step 3: Engage Stakeholders.

Involving building owners and operators, property managers, utilities and energy services businesses in program design will help ensure overall program success. The cities of Seattle, San Francisco and Austin each developed effective industry stakeholder groups whose recommendations formed the basis for their benchmarking and disclosure policies.<sup>6</sup> In particular, utilities can play a large supporting role in helping owners access building energy consumption data. Jurisdictions should plan a comprehensive private sector outreach, education and benchmarking training activities as part of implementation.

## Existing Policies or Programs

### New York City, NY: Local Law 84 (Greener, Greater Buildings Plan)

[http://www.nyc.gov/html/planyc2030/downloads/pdf/ll84of2009\\_benchmarking.pdf](http://www.nyc.gov/html/planyc2030/downloads/pdf/ll84of2009_benchmarking.pdf)

- **Adopted:** December 2009 /**Effective:** 2010-2013
- **Affected Property Types:** Commercial and multifamily buildings 50,000 SF and greater; public buildings 10,000 SF and greater.



For Access to the Commercial Buildings Toolkit visit <http://www.icleiusa.org/commercialenergypolicytoolkit>

For Further Information on Local Sustainability visit [www.icleiusa.org](http://www.icleiusa.org) & [www.imt.org](http://www.imt.org)

- **Key Requirements:**
  - Buildings must benchmark energy and water performance annually using ENERGY STAR Portfolio Manger and report benchmarking data and ratings to New York City.
  - Benchmarking information and ratings will be publicly disclosed online beginning in 2012 for commercial buildings and 2013 for multifamily buildings.
  - City-owned buildings must annually benchmark and will be publicly disclosed each year.
  - In the first few years of implementation, New York City must analyze the benchmarking data to determine the effectiveness of the policy and identify potential improvements.

## Seattle, WA: Energy Disclosure Ordinance

<http://www.seattle.gov/dpd/GreenBuilding/OurProgram/PublicPolicyInitiatives/DPDP018682.asp>



- **Adopted:** 2010 / **Effective:** 2011-2013
- **Affected Property Types:** Commercial buildings 10,000 SF and greater; multifamily buildings with 5 or more units.
- **Key Requirements:**
  - Buildings must benchmark energy performance annually using Portfolio Manger and report benchmarking data and ratings to Seattle.
  - Benchmarking information and ratings must be disclosed to tenants and prospective buyers, lessees and lenders upon request.
  - Utilities are required to assist benchmarking by uploading building energy consumption data into an owner's Portfolio Manager account.

## Austin, TX: Energy Conservation Audit & Disclosure (ECAD) Ordinance

<http://www.austinenergy.com/About%20Us/Environmental%20Initiatives/ordinance/ordinance.pdf>



- **Adopted:** November 2008 / **Effective:** 2009- 2014
- **Affected Property Types:** Commercial buildings 10,000 SF and greater.
- **Key Requirements:**
  - Buildings must benchmark energy performance annually using Portfolio Manager or an Austin Energy benchmarking tool and report benchmarking ratings to Austin Energy.
  - Benchmarking ratings must be disclosed to the prospective buyer of a building.

## Complementary Policies

### Complementary Policy Landscape for Benchmarking and Disclosure



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## *Complementary policies can make rating and disclosure policies much more effective.*

- **Energy Audits** ensure that building owners receive tailored improvement recommendations, which benchmarking typically does not provide.
- **Financing** increases owners' ability to act on benchmarking and audit information and improve building energy performance.
- **Green Leasing Programs** can leverage benchmarking ratings to motivate energy performance improvements and measure ongoing energy savings. For instance, the state of Washington is requiring minimum building energy ratings for all government leases.
- **Energy Performance Recognition Programs** can motivate building owners to improve their energy rating by recognizing top performance or improved performance.

## References

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1. For more, see [http://www.energystar.gov/index.cfm?c=business.bus\\_index](http://www.energystar.gov/index.cfm?c=business.bus_index)
2. For more, see <http://buildingeq.com>
3. For more, see <http://www.astm.org/Standards/E2797.htm>
4. Johnson Controls. "2011 Energy Efficiency Indicator Global Survey". <http://www.institutebe.com/Energy-Efficiency-Indicator/2011-global-results.aspx>
5. Marine Cole. "New Energy Benchmarking Law Prompts Frenzy". March 7, 2011. Crain's New York Business. [http://www.crainsnewyork.com/article/20110307/REAL\\_ESTATE/110309897](http://www.crainsnewyork.com/article/20110307/REAL_ESTATE/110309897)
6. Local stakeholder group reports:
  - a. Austin Energy Efficiency Upgrades Task Force. "Final Report to City Council." Sept. 2008. <http://www.ci.austin.tx.us/acpp/downloads/Final%20EEU%20Task%20Force%20Report%20September%2017%202008.pdf>
  - b. Mayor's Task Force on Existing Commercial Buildings. "Final Report and Recommendations for the City and County of San Francisco." 2009. [http://www.imt.org/files/FileUpload/files/Benchmark/sf\\_existing\\_commercial\\_buildings\\_task\\_force\\_report.pdf](http://www.imt.org/files/FileUpload/files/Benchmark/sf_existing_commercial_buildings_task_force_report.pdf)
  - c. City of Seattle Office of the Mayor; Seattle Office of Sustainability & Environment; and Seattle Department of Planning & Development. "Seattle Green Building Capital Initiative Summary Report." 2009. [http://www.seattle.gov/environment/documents/GBCI\\_Policy\\_Report\\_Final.pdf](http://www.seattle.gov/environment/documents/GBCI_Policy_Report_Final.pdf)

## Additional Resources

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- Institute for Market Transformation  
<http://www.imt.org/rating>
- BuildingRating.org  
<http://www.buildingrating.org/>
- ENERGY STAR  
<http://www.energystar.gov/>