

## **EAct Tax Incentives for Hurricane Sandy Damaged NYC Buildings**

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Analysts at Energy Tax Savers look at buildings damaged by Hurricane Sandy and their opportunities for tax incentives:

**H**urricane Sandy damaged 18,000,000 square feet of large downtown New York City buildings. In addition to required repairs, many of those buildings are replacing and relocating large mechanical systems, moving them from low lying basement areas to roof locations. Besides the mechanical equipment some of these buildings are investing in waterproof building envelope measures such as submarine style doors and new and enhanced foundations.

All of these buildings should give strong consideration to upgrading their lighting to long life low wattage LEDs while contractors are already on site, particularly if they have below a 75 Energy Star building energy benchmarking rating. For the 18,000,000 square feet, a potential \$32,400,000 in EAct tax deductions is available for the lighting, HVAC, and building envelope upgrades.

### **EAct Section 179D Tax Opportunities**

Pursuant to Energy Policy Act (EAct) Section 179D, building owners and tenants making qualifying energy-reducing investments in their new or existing locations can obtain immediate tax deductions of up to \$1.80 per square foot.

If the building project doesn't qualify for the maximum EAct Section 179D \$1.80 per square foot immediate tax deduction, there are tax deductions of up to \$0.60 per square foot for each of the three major building subsystems: lighting, HVAC, and the building envelope. The building envelope is every item on the building's exterior perimeter that touches the outside world including roof, walls, insulation, doors, windows and foundation.

### **The New York City Mandatory Benchmarking Process**

New York City buildings that exceed 50,000 square feet, or multiple buildings on the same lot that exceed 100,000 square feet, need to be annually benchmarked for energy and water use. The law requires benchmarking by major individual building categories including office buildings, hotels, schools, parking facilities, hospitals, warehouses, multifamily houses, and retail stores.

It will be the building owner's responsibility to gather the information and report it on the online database system provided by the United States Environmental Protection Agency (USEPA). This system, which is organized by what is called ESPM (Energy Star Portfolio Manager), will rate building's energy usage in

comparison to other benchmark buildings in the nation on a percentile scale of 1 to 100 (1 being the least energy efficient building and 100 being the most energy efficient building).

It is the owner's obligation to continue with mandatory benchmarking rules annually within the month of January. To date, large building owner operators have been the most frequent users of Energy Star benchmarking data.

In NYC, in a large tenant/landlord market, it is anticipated that tenants will be prominent users of benchmark data.

Fortunately the benchmark data input process is relatively straight forward, and all the information is disclosed to the public, so comparisons can be made and contrasted to other buildings that are similar within the nation. Energy benchmarking can be further strategically utilized by the owner in order to improve their building's energy performance, lower their energy consumption, and increase cost energy savings.<sup>1</sup>

**Table 1** illustrates the potential EAct tax benefits related to the Hurricane Sandy damaged office buildings in Manhattan.

## **Post-Sandy Building Developments**

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In the wake of Hurricane Sandy, many new building developments were put on hold, adding millions to project costs. In addition to project delay, costly waterproofing methods are being implemented including installation of floodgates and submarine style doors in mechanical rooms.

Real estate developer, Time Equities, has recently hired the Albanese Organization as their development manager. The Albanese Organization owns and develops properties in Battery Park City and other surrounding areas including the Visionaire, the Verdesian, and the Solaire. Robert Singer of Time Equities explained that the Albanese Organization is the perfect choice to handle the project being that during Hurricane Sandy, Battery Park City was the only place that maintained electricity.<sup>2</sup>

Time Equities plans to expedite design on 50 West Street, their 62-story building, estimating that the foundation work will begin in late spring/early summer or this year.

Jack Becker of Albanese is also advising Time Equities on their 50-story 111 Washington Street, where the electrical/mechanical systems are being moved from the basement to a higher floor.

**Table 1: Potential EAct Tax Incentives for Manhattan Office Buildings**

Properties	Location	Total Square Footage	Lighting		HVAC Maximum Deduction	Building Envelope Maximum Deduction	Deduction Total
			Minimum Deduction	Maximum Deduction			
Emblem Health	55 Water St	3,800,000	\$ 1,140,000	\$ 2,280,000	\$ 2,280,000	\$ 2,280,000	\$ 6,840,000
Brookfield Properties	1 NY Plaza	2,587,000	\$ 776,100	\$ 1,522,200	\$ 1,522,200	\$ 1,522,200	\$ 4,656,600
Sapir Organization	2 Broadway	1,595,000	\$ 478,500	\$ 957,000	\$ 957,000	\$ 957,000	\$ 2,871,000
Mack-Cali	125 Broad St	1,300,000	\$ 390,000	\$ 780,000	\$ 780,000	\$ 780,000	\$ 2,340,000
Jack Resnick & Sons	199 Water St	1,266,000	\$ 379,800	\$ 759,600	\$ 759,600	\$ 759,600	\$ 2,278,800
Oppenheimer	85 Broad St	1,190,000	\$ 357,000	\$ 714,000	\$ 714,000	\$ 714,000	\$ 2,142,000
Stroock	180 Maiden	1,091,600	\$ 327,480	\$ 654,960	\$ 654,960	\$ 654,960	\$ 1,964,880
HSBC	4 NY Plaza	1,077,000	\$ 323,100	\$ 646,200	\$ 646,200	\$ 646,200	\$ 1,938,600
Piedmont	60 Broad St	987,000	\$ 296,100	\$ 592,200	\$ 592,200	\$ 592,200	\$ 1,776,600
Helm Equities	75 Broad St	648,000	\$ 194,400	\$ 388,800	\$ 388,800	\$ 388,800	\$ 1,166,400
Savanna	100 Wall St	426,531	\$ 127,959	\$ 255,919	\$ 255,919	\$ 255,919	\$ 767,756
Savanna	80 Broad St	410,000	\$ 123,000	\$ 246,000	\$ 246,000	\$ 246,000	\$ 738,000
Swig Equities	90 Broad St	392,900	\$ 117,870	\$ 235,740	\$ 235,740	\$ 235,740	\$ 707,220
Emery Roth & Sons	110 Wall St	292,000	\$ 87,600	\$ 175,200	\$ 175,200	\$ 175,200	\$ 525,600
All Other Buildings		936,969	\$ 281,091	\$ 562,181	\$ 562,181	\$ 562,181	\$ 1,686,544
<b>Totals:</b>		<b>18,000,000</b>	<b>\$ 5,400,000</b>	<b>\$ 10,800,000</b>	<b>\$ 10,800,000</b>	<b>\$ 10,800,000</b>	<b>\$ 32,400,000</b>

## Conclusion

Suffering substantial property damage is painful for all impacted, including tenants, building owners, and building employees. However if thoughtful repairs and improvements are made the result will be a better sustainable building with substantially less energy related operating costs. EAct tax incentives can help further alleviate some of the pain.

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<sup>1</sup> "The Ten Least Energy Efficient Office Buildings in New York City", Charles Goulding and Daniel Penza, Google Knol, April 2011.

<sup>2</sup> "The Generator is the Machine of the Moment", Julie Satow, The New York Times, January 11, 2013.

Accessed at

<http://www.nytimes.com/2013/01/13/realestate/post-sandy-the-generator-is-machine-of-the-moment.html?pagewanted=all>