Famous NYC Low Energy Performing Buildings Draw Media Attention and Tax Opportunities

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Energy Tax Savers' analysts look at New York City's lowest Energy Star rated buildings.

New York City is the ultimate media-driven brand conscious city. Park Avenue midtown is one of the world's most prestigious business addresses and the ultimate status symbol is to have a leading NYC building on Park Avenue where the building name and corporate brand name are synonymous.

Accordingly, when the MetLife building at the intersection of Grand Central and Park Avenue, and the world renowned Lever House and Seagram buildings receive very low Energy Star bench marking ratings, the world immediately knows about it. Fortunately much of the building technology necessary to improve these performance ratings is readily available along with large tax incentives.

EPAct Section 179D Tax Opportunities

Pursuant to Energy Policy Act (EPAct) 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 EPAct 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.[1]

A summary of the tax incentives available for NYC's lower energy rated Park Avenue buildings are illustrated in **Exhibit 1**.

Upgrading NYC's Lower Performing Buildings

Lower scoring Energy Star Rated buildings tend to be older, less ventilated, buildings that have much room for improvement in many areas.

President of RFR Realty, Gerard Schumm, stated "I was probably as shocked as you are," about the Energy Star Rating results for RFR's Seagram Building which earned a 3, and Lever House which earned a 20.[2]

Schumm announced that RFR Realty will invest more than $12 million on general building upgrades, such as lighting motion sensors, new mechanical equipment, elevator monitoring controls, and fans and water pumps that operate only when needed.[1]

The building's most admired features could be its biggest energy drainer. The Seagram's single-pane glass walls and fluorescent ceilings work against energy conservation.

RFR Realty is exploring more efficient alternatives like insulating film additions to the glass and retrofitting more than 9,500 fixtures to more efficient LEDs. One building that greatly improved its energy performance rating with window improvements is the Empire State building. What began in 2009 has lead to a series of improvements for the building including windows, automation systems, and lighting retrofits, saving $2.41 million in the first year.

LED Lighting and Energy Efficiency HVAC

Many New York City office buildings are installing both:

1. Long life low wattage LED lighting[3] and
2. Very energy efficient chillers, which markedly improve Energy Star ratings[4] [5]

Communicating Improvement

1. Those buildings that improve their Energy Star rating to 75 or above should consider communicating the new results to offset the publically reported rating.
2. Those buildings between the 64 to 74 ratings may be able to achieve 75% without major renovations.
3. Those buildings with a 75 to 80 Energy Star rating should engage in continuous improvement to ensure they don't fall back to below a 75 state.[6] [7]

Exhibit 1:

Address	Property	Total Square Footage	Energy Star Rating	Lighting Minimum Deduction	Lighting Maximum Deduction	HVAC Maximum Deduction	Building Envelope Maximum Deduction	Total
200 Park Avenue	The MetLife Building	2,993,388	39	$ 898,016	$ 1,796,033	$ 1,796,033	$ 1,796,033	$ 5,388,098
345 Park Avenue	Rudin Management	1,842,494	41	$ 552,748	$ 1,105,496	$ 1,105,496	$ 1,105,496	$ 3,316,489
101 Park Avenue	H J Kalikow & Co	1,525,742	69	$ 457,723	$ 915,445	$ 915,445	$ 915,445	$ 2,746,336
299 Park Avenue	Fisher Bros/Rockpoint Group	1,278,463	51	$ 383,539	$ 767,078	$ 767,078	$ 767,078	$ 2,301,233
375 Park Avenue	The Seagram Building	795,188	3	$ 238,556	$ 477,113	$ 477,113	$ 477,113	$ 1,431,338
320 Park Avenue	Mutual of America	721,979	73	$ 216,594	$ 433,187	$ 433,187	$ 433,187	$ 1,299,562
425 Park Avenue	L&L Holding Company	559,372	47	$ 167,812	$ 335,623	$ 335,623	$ 335,623	$ 1,006,870
250 Park Avenue	Cassidy Turley	468,480	74	$ 140,544	$ 281,088	$ 281,088	$ 281,088	$ 843,264
280 Park Avenue	Bankers Trust Co. Building	361,606	22	$ 108,482	$ 216,964	$ 216,964	$ 216,964	$ 650,891
444 Park Avenue	Moin Development Corp	324,528	33	$ 97,358	$ 194,717	$ 194,717	$ 194,717	$ 584,150
445 Park Avenue	Universal Pictures Building	323,869	57	$ 97,161	$ 194,321	$ 194,321	$ 194,321	$ 582,964
540 Park Avenue	Loews Regency Hotel	320,000	38	$ 96,000	$ 192,000	$ 192,000	$ 192,000	$ 576,000
499 Park Avenue	Hines	298,485	42	$ 89,546	$ 179,091	$ 179,091	$ 179,091	$ 537,273
380 Park Avenue	Lever House	280,000	20	$ 84,000	$ 168,000	$ 168,000	$ 168,000	$ 504,000
505 Park Avenue	Aramco Building	226,421	74	$ 67,926	$ 135,853	$ 135,853	$ 135,853	$ 407,558
500 Park Avenue	Amro Bank Building	223,543	43	$ 67,063	$ 134,126	$ 134,126	$ 134,126	$ 402,377
	Total:	12,543,558		$ 3,763,067	$ 7,526,135	$ 7,526,135	$ 7,526,135	$ 22,578,404

Conclusion

The world's leading brands have a tremendous investment in their corporate brand names. In a world that places a great emphasis on corporate sustainability and responsibility these leading companies simply can't be associated with poor corporate office building energy performance.

Many of these building have other leading corporate tenants who are certainly not pleased to find that they are paying above average energy costs. The owners and facility managers at these buildings can garner positive publicity by remedying their deficiencies while utilizing tax incentives to achieve their goals.

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[1] "The Ten Least Energy Efficient Office Buildings in New York City", Charles Goulding and Daniel Penza, Google Knol, April 2011. Accessed at: http://www.energytaxsavers.com/articles/The%20Ten%20Least%20Energy%20Efficient%20Office%20Buildings%20in%20New%20York%20City.pdf

[2] "City's Law Tracking Energy Use Yields Some Surprises", Mireya Navarro, The New York Times, December 24, 2012. Accessed at: http://www.nytimes.com/2012/12/25/science/earth/new-york-citys-effort-to-track-energy-efficiency-yields-some-surprises.html?pagewanted=all&_r=0

[3] "LED Lighting Can Play a Key Role in Securing EPAct Tax Benefits", Charles R. Goulding, Raymond Kumar, and Jennifer Pariante, IMARK Now, February 2012, at 62.

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[5] "EPAct Tax Aspects of McQuay Chiller LED Combinations", Charles R. Goulding, Jacob Goldman, and Gary Savell, Corporate Business Taxation Monthly, January 2013, at 9.

[6] "The Tax Aspects of New York City's Building Energy Benchmarking Project", Charles R. Goulding, Andrea Albanese, and Charles G. Goulding, To be published in Corporate Business Taxation Monthly.

[7] "Using EPAct Incentives to Enhance New Mandatory Building Energy Disclosure Requirements", Charles Goulding, Jacob Goldman, and Joseph Most, Corporate Business Taxation Monthly, October 2012, at 11.