

As featured in **Seattle Business**

Measuring Energy Use

The new era of building benchmarking is here. Are you ready?



The state of Washington and the City of Seattle are among the pioneers in requiring that building owners track and report energy performance — known as benchmarking — and disclose that data to potential buyers, renters or lenders. When the state and the city adopted their benchmarking requirements in 2009 and 2010, respectively, only Austin, New York City and the state of California had similar policies in place. Since then, several more cities and states around the country have jumped on the bandwagon. While benchmarking is considered an important tool in encouraging energy efficiency, it also can present traps for the unwary.

Both the state and city requirements were phased in, but we are now in full implementation at both levels. Under the Washington law, all state government buildings and commercial buildings greater than 10,000 square feet are required to collect energy consumption data. The City of Seattle ordinance requires that all nonresidential

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and multifamily buildings greater than 20,000 square feet within the city limits must report their energy benchmarking data. Manufacturing or industrial buildings in Seattle are exempt from the requirements of the ordinance, as are multiple buildings served by a single utility meter. In total, some 3,750 buildings in Seattle now fall within the reporting requirement.

Other locales that have adopted benchmarking post their building data on publicly accessible websites, but neither the Washington state law nor the Seattle ordinance follows that practice. The Washington statute, however, requires disclosure of data to prospective buyers, tenants and lenders, while the Seattle ordinance requires disclosure only if a current or prospective tenant, a prospective buyer or a lender requests an energy disclosure report, known as a Statement of Energy Performance.

The purpose of benchmark reporting is to promote energy efficiency by providing a score that allows for comparisons between buildings. By giving tenants, prospective purchasers and lenders access to energy information, benchmarking is supposed to provide an incentive

to building owners to improve their facilities' performance levels to stay competitive. Benchmarking ordinances and statutes, however, generally do not require implementation of energy efficiencies. The exception in Washington is that a building owner leasing to a state agency can be required to incorporate cost-effective efficiency measures if the facility falls below a specified benchmark score. Critics contend benchmarking unfairly stigmatizes older buildings and does not provide a meaningful distinction between tenant energy use and the actual energy efficiency of a building. Despite these criticisms, benchmarking appears to be a growing trend nationally, with two jurisdictions, Chicago and Boston, adopting it this year.

Compliance with any new law can be tricky, and this one is no different. Building owners in Seattle must make sure they file their reports by April in the year following the reporting period. Otherwise, enforcement penalties can be levied. Whether a disclosure is under the state law or city ordinance, it is crucial to make sure that the information is provided in a timely manner and that it is accurate. Because prospective tenants, purchasers and lenders rely on this information, litigation could arise if a building's performance turns out to be less than represented in the disclosure. For now, reporting in Seattle for buildings less than 20,000 square feet is still voluntary, but a time may come when smaller commercial and multifamily buildings are pulled into the disclosure.

While early studies of benchmarking have shown some positive effects on energy usage — the U.S. Environmental Protection Agency, for example, studied 35,000 buildings that tracked their energy usage and found an average 7 percent reduction over a three-year period — it's still too early to tell whether it will have the desired effect. Like it or not, benchmarking is here and building owners and operators in Washington and Seattle are at the forefront of a new era in building management and marketing.

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