

BUILDING ENERGY BENCHMARKING AND DISCLOSURE POLICY: Unlocking Energy Savings in the Multifamily Housing Market

Media Backgrounder, January 2013

A new policy is taking hold across the U.S. that could help motivate owners of apartment buildings and condo complexes to improve the energy efficiency of their buildings, slashing as much as \$9 billion from energy bills for 40 million Americans.

This policy – energy benchmarking and disclosure – requires property owners to annually measure the energy performance of their buildings and make that information available to tenants and the broader public. Measuring and revealing building energy use works to drive owners to make improvements that lower energy costs for both owners and tenants.

Below is more information about energy issues facing the multifamily housing market and how benchmarking and disclosure policy addresses these challenges.

MULTIFAMILY HOUSING MARKET FACING ENERGY CRISIS:

- Almost 40 million Americans live in apartment buildings and condo complexes with 5 or more units. **Over the past decade, these Americans have seen their energy costs rise by 20 percent** – more than three times the average rate of rent increases.
- **About half of Americans living in multifamily housing developments spend between 30 to 50 percent of their income on rent and utilities**, with 40% of these renters joining this category in the last decade, because of rising costs.
- Rising energy costs have been particularly harmful to **low-income households who spend 20% of their total income on energy bills**.
- The average age of multifamily buildings is 36 years, and most were constructed before modern building energy codes were in place.

VAST POTENTIAL FOR ENERGY SAVINGS REMAINS UNTAPPED:

- **Potential energy savings from the U.S. multifamily housing market has been estimated at \$9 billion**, with carbon reductions equivalent to shutting down 20 coal-fired power plants.
- This potential remains untapped in part because many **property owners lack detailed information about how well or poorly their buildings use energy** and thus don't realize how much energy is being wasted.
- Owners aren't as motivated to make energy-saving improvements to buildings because they don't pay the utility bills – tenants do.
- **Tenants, lenders, and real estate professionals have no way of knowing if buildings are energy-efficient or not**, so efficiency is rarely factored into buying and rental decisions, again removing the incentive for owners to upgrade buildings.

HOW ENERGY BENCHMARKING AND DISCLOSURE POLICY CAN HELP:

- Energy benchmarking and disclosure policy removes some of these barriers by **shining a light on building energy performance and giving owners actionable information on how to reduce energy use.**
- Under the policy, owners are required to annually measure – or benchmark – the energy performance of their buildings using EPA’s free benchmarking tool, ENERGY STAR Portfolio Manager – and provide this information to tenants, lenders, and real estate professionals upon request, and in some cases, share with the broader public.
- The benchmarking process gives owners valuable information on building energy performance and ways they can reduce energy use and costs. **Benchmarking is already a widely used tool among leading building owners who have gone on to achieve LEED, ENERGY STAR, and other green building certifications.**
- Having access to building energy performance information also helps governments, utilities, and others to design energy-saving programs and incentives **targeting the most cost-effective measures and highest-need communities.**
- Policies that motivate building energy retrofits not only help reduce energy costs for owners and tenants; they also help create jobs. According to a 2012 study by DB Climate Change Advisors and the Rockefeller Foundation, conducting **comprehensive energy retrofits on the nation’s stock of pre-1980 multifamily buildings would create 199,000 jobs** over the duration of the program.

ENERGY BENCHMARKING AND DISCLOSURE POLICY TODAY:

- As of early 2013, **four cities (Seattle, New York City, Austin, and Washington, DC) have included the multifamily housing market in their energy benchmarking and disclosure policies.** (Other cities and states with benchmarking and disclosure policy that does not apply to residential structures include: San Francisco, Philadelphia, and the states of California and Washington.)
- Total square footage, number of buildings and number of units impacted by these policies in Seattle, New York City, Austin, and DC: **1.84 billion sq. ft, 13,379 properties and 1,338,000 units.**

Effectively designing and implementing benchmarking and disclosure policy for the multifamily housing sector is key to its success. [IMT has recently issued a report](#) on how to overcome challenges in developing this policy for this market.