

Commercial and Multifamily Buildings

Energy and Water Benchmarking and Transparency

Summary Policy Recommendations

In the proposed Energy and Water Benchmarking and Transparency policy, commercial and multifamily building owners will be required to benchmark their buildings using ENERGY STAR® Portfolio Manager and report that information to the City. Across the US, 35 cities and 2 states have implemented mandatory benchmarking policies. The recommendations provided here are based on best practices and lessons learned from other cities, input from a Commercial Stakeholder Task Force, and staff recommendations based on the local landscape. For every recommendation, background information, a description of the recommendation, and justification are provided.

1 Market Sectors Included

Background: The market sectors covered by the policy determines the number of buildings that will be participating in the program.

Recommendation: Non-residential (commercial and industrial) and multifamily buildings are covered by the policy. See Benchmarking and Transparency Exemptions for recommendations for specific buildings that can apply for an exemption.

Justification: Policies typically cover at least government buildings and large commercial properties. In Ann Arbor, multifamily housing comprises the majority of large non-residential buildings, so the multifamily sector is recommended to be included in order to achieve the full benefits from the policy for Ann Arbor buildings, businesses, and tenants.

2 Minimum Building Size Covered

Background: The minimum building size covered determines the number of buildings that will be participating in the program. The policy can maximize the benefits of the policy while minimizing the number of buildings that are covered. This allows for the best return on staff time by providing outreach and training to covered buildings.

Recommendation: Non-city buildings 20,000 square feet or larger would be required to comply with the policy. City buildings 10,000 square feet or larger would be required to comply with the policy.

Non-city buildings smaller than 20,000 square feet may participate in benchmarking and transparency.

Justification: A minimum size of 20,000 square feet or larger would cover 20% of commercial buildings in Ann Arbor while covering over 75% of all square footage. At this threshold, over 13,000 metric tons of

carbon dioxide emissions would be reduced annually, and the Ann Arbor community would save over \$2,200,000 each year. Decreasing the minimum square footage threshold exponentially increases the number of buildings covered while marginally increasing the percent of square footage covered – as well as the expected greenhouse gas emission reductions and financial savings.

3 Benchmarking and Transparency Exemptions

Background: The benchmarking process is designed to collect and compare performance metrics for typical types of commercial and residential properties, and the data is less meaningful for unusual building uses. There are also cases when it would not be appropriate to share building performance information with the general public through transparency.

Recommendation: The policy distinguishes between exemptions from (A) reporting benchmarking information to the City and exemptions from (B) sharing building performance information with the general public through transparency.

Buildings that would qualify for an exemption from reporting benchmarking information to the City are:

- Buildings that did not have a Certificate of Occupancy or a temporary Certificate of Occupancy for that full calendar year; or
- Buildings that had a physical occupancy rate of less than 50 percent over at least 10 months of that full calendar year; or
- A demolition permit for the entire building was issued during that calendar year, provided that demolition work commenced and legal occupancy was not longer possible before the end of the calendar year.

Buildings that would qualify for an exemption from having benchmarking information made available to the public through transparency are:

- Buildings that would disclose trade secrets by participating in transparency; or
- Buildings for which it would not be in the public interest to participate in transparency.

In order to receive an exemption, a building owner needs to submit a request by one month prior to the benchmarking deadline. The exemption would only be valid for that year's deadline. Because some circumstances warranting an exemption are likely recurring over multiple years, a streamlined confirmation of exemption would be available after the first year.

Justification: It is best practice that buildings must submit a request for an exemption from reporting benchmarking information on an annual basis. The Commercial Stakeholder Task Force recommended minimizing accepted benchmarking and transparency exemptions because benchmarking does not require significant staff time and is low-maintenance once a building is established in ENERGY STAR Portfolio Manager.

4 Party Responsible for Reporting

Background: Benchmarking is performed on a whole-building basis. Therefore, any party that is in the best position to both complete the benchmarking process and act on the resulting information should be held responsible.

Recommendation: In most cases, the owner of the property would be the party responsible for reporting. Exceptions include the following cases:

- Condominiums, in which case the board of owners' association or master association would be the responsible party, instead of the owners of individual units; and
- Cooperative apartment corporations, in which case the board of directors would be the responsible party, instead of owners of individual units.

Justification: The recommendation is best practice among other cities to account for special circumstances of different ownership structures.

5 Schedule for Initial Benchmarking and Transparency

Background: An initial deadline for reporting benchmarking is used to provide time for outreach and training of building owners, and for building owners to collect the information they need to set up properties in ENERGY STAR® Portfolio Manager. A phased-in approach allows for a more even ramp up. After the initial deadline, buildings are required to report benchmarking information on an annual basis.

Reported building performance information is not made immediately available to the public so that building owners can improve their score.

Recommendation: Building owners would be required to report benchmarking information to the City for the previous calendar year by the following deadlines:

- City Buildings larger than 10,000 square feet: March 1, 2021 and annually thereafter
- Commercial and Multifamily Buildings larger than 100,000 square feet: March 1, 2022 and annually thereafter
- Commercial and Multifamily Buildings larger than 50,000 square feet: March 1, 2023 and annually thereafter
- Commercial and Multifamily Buildings larger than 20,000 square feet: March 1, 2024 and annually thereafter

Any building may benchmark before the deadline, but must report the previous calendar year's benchmarking information to the City by then.

Building performance information for individual buildings would be shared with the public beginning after March 1, 2025. Buildings may share building performance information before then.

Justification: City buildings would lead the benchmarking effort and show the City's commitment to improve energy efficiency in their own buildings. Larger buildings generally have greater staff expertise and capacity and should be able to participate sooner. The Commercial Stakeholder Task Force

recommended three phases in order to allow building owners with large portfolios in Ann Arbor more time to comply with the policy.

Best practice is for data on the performance of individual buildings to be shared with the public one year after each building first completes and reports benchmarking results. The Commercial Stakeholder Task Force recommended a five year period of voluntary transparency in order for building owners to have more time to upgrade their buildings without being impacted by lower performance.

6 Data Verification for Benchmarking and Transparency

Background: ENERGY STAR® Portfolio Manager uses building characteristics and energy and water use data to measure a building's performance. In order for building owners and the real estate market to view the data as high quality and dependable, it is important for the data to be accurate.

Recommendation: In support of the policy, the City will focus on providing adequate training on the use of ENERGY STAR® Portfolio Manager and working with utilities and the state to secure a streamlined process of acquiring regular data, including automatic whole-building data uploads to ENERGY STAR® Portfolio.

In addition, the use of the ENERGY STAR® Portfolio Manager's data quality tool will be required to minimize potential data errors. The City may review extreme results and outliers or spot-check data.

ENERGY STAR® provides standards processes for certification of ENERGY STAR® Scores of 75 or over and data verification for other scores. Building owners will be able to share if their data has been recently certified or verified.

Justification: Data verification is not currently required due to staff priorities to collaborate with utilities to streamline data access, the required use of a data quality tool, and potential spot-checks.

7 Transparency Approach

Background: Transparency is a key element to the policy to begin seeing the benefits of community-wide action. Making information available to the public allows business, tenants, and consumers to easily value building efficiency and include energy performance and expected energy costs in their decision making when buying or renting property, like miles per gallon are used when purchasing a car. Energy service providers will be able to highlight opportunities for improving building performance. Transparency will incentivize building owners to improve building performance.

Recommendation: Building performance information will be shared on a map with general information sufficient for the public. Building owners will receive a targeted scorecard with actionable information. City staff will release annual summary reports after two years of implementation begins.

Justification: It is important that building information is shared in an accessible and visually compelling format, and different audiences have different requirements. An interactive map, individual score cards, and an annual report will help our community track individual and collective progress, and to effectively access the information they need to make informed decision.

8 Enforcement

Background: Along with the benefits of benchmarking, such as understanding opportunities for energy and financial savings and sharing building performance information with the public, some form of enforcement is required to address consistent failure to comply.

Recommendation: The emphasis in the roll-out of the policy will be on outreach, education, and training. If fines are needed, fines will be set at a level that makes them more expensive than complying with the policy.

Justification: Building owners require outreach, education, and training to understand the benefits of benchmarking and to become familiar and competent with the process, and it is important to understand and address any initial barriers to compliance. Ultimately, enforcement will be needed for buildings that consistently fail to report.

Source: Creating a High-Impact Performance Policy: A Decision Framework for Local Governments (2018), City Energy Project.