

## **President Announces Nearly \$4 Billion in Public and Private Investments in Building Upgrades as Part of Better Buildings Initiative**

On February 3<sup>rd</sup>, 2011, President Obama announced the Better Buildings Initiative as part of his Administration's vision for winning the future by catalyzing a homegrown, clean energy economy in the United States. The Better Buildings Initiative set a national target of improving energy efficiency in commercial buildings by 20 percent by 2020. Achieving the President's goal will reduce energy bills for American businesses by approximately \$40 billion per year. Improving energy efficiency in our nation's buildings can create good paying jobs in the construction industry, save building owners money, and make our air cleaner. In June, the independent Political Economy Research Institute (PERI) at the University of Massachusetts Amherst supported by the Real Estate Roundtable and U.S. Green Buildings Council estimated a potential of 114,000 jobs associated with implementing the Better Buildings Initiative.

The Better Buildings Initiative consists of administrative actions, a challenge to the private sector, and legislative proposals. Given the importance of this issue and the positive benefits for the economy and our nation's businesses, President Obama asked former President Clinton and his Council on Job's and Competitiveness to assist in the effort to spur private sector investment in commercial building upgrades. Since the announcement in February, the Administration has made substantial progress in taking executive actions to support this effort. The President continues to build support for the legislative changes the Administration has proposed.

Today's announcement focuses on steps we can take without waiting for Congress to make the critical energy efficiency investments we need.

### **TODAY'S ANNOUNCEMENTS**

#### **1. Private Sector Commitments -- The Better Buildings Challenge**

The Better Buildings Challenge is the public-private partnership component of President Obama's Better Buildings Initiative. The Challenge seeks to catalyze private sector investment and has attracted business and community leaders who are committed to supporting innovative ideas with action, sharing their successes, and creating solutions for others to follow. In June, at the Clinton Global Initiative (CGI) America, former President Clinton, Secretary Chu and Laura Tyson from the President's Jobs Council announced an initial set of commitments totaling 300+ million square feet and \$500+ million in financing support. **Today, building on those commitments, the President is announcing commitments totaling 1.6 billion square feet and nearly \$2 billion in financing support for building energy upgrades.** This includes:

- **Commitments from [60] Major CEOs, Universities, Mayors, Labor Leaders and Others.** Today's announcement includes commitments from nearly 60 property owners, corporations, hospitals, financial institutions, cities and states, colleges and universities.

- **Commitment to Upgrade Approximately 1.6 Billion Square Feet of Commercial and Industrial Property.** Every type of commercial building can benefit from cost effective energy upgrades. The companies and other institutions committing to the Better Buildings Challenge are leaders in their respective industries and are pioneering new approaches to create jobs and save money through building upgrades. For example:
  - Retailers like Best Buy, SuperValu and Walgreens are saving money and improving the customer experience by upgrading store lighting and putting doors on refrigerated displays.
  - Major property companies like Prologis and Transwestern are lowering energy costs in their real estate portfolios for existing and prospective clients.
  - Major institutions from the Cleveland Clinic to Michigan State University have recognized that energy upgrades can result in improved outcomes for their patients and students while creating jobs and saving money.
  
- **More than 300 manufacturing plants.** Manufacturing facilities are some of the largest consumers of energy in the nation and upgrading their industrial processes not only makes our air cleaner, but also lowers operating expenses allowing U.S. manufacturers to become more competitive in the global economy. Firms such as Alcoa, Briggs & Stratton, and Nissan North America have embraced and understand the benefits of upgrading their plants to stay competitive and continue to make innovative products for the 21<sup>st</sup> century right here in America.
  
- **Nearly \$2 billion in financial commitments.** One of the single most cited barriers for private companies to undertake building energy upgrades is a lack or limited access to affordable financing. Fortunately both large multinational financial institutions such as Citi and emerging financial service providers such as Green Campus Partners and Transcend Equity are making direct investments and structuring innovative financial products that meet the specific needs of private real estate owners.
  
- **Investments putting people back to work now.** The commitments made under the Better Buildings Challenge are already putting people back to work in the hard hit construction sector all over the country. As commitment partners move forward with their showcase projects over the coming months we will see additional job creation as well. Examples include:
  - Lend Lease is upgrading the energy performance of 40,000 military homes around the country. The project kicked off this fall, and will put contractors to work in 13 states.
  - The City of Atlanta has already broken ground on upgrading the energy performance of their Civic Center, and launched Phase One of their local Better Buildings Challenge with more than 16 million square feet of downtown buildings signed up including landmarks like the Georgia Dome

Citi completed a first of a kind financing earlier this fall with the state of Delaware for which all of the proceeds will be used for energy efficiency projects at state and local government buildings. As a result of this \$70.2 million financing, it is estimated that the state will reduce energy consumption in retrofitted buildings by 30%, save \$26 million, and create more than 1,000 jobs.

## **2. Executive Action – Presidential Commitment to \$2 billion in Federal Building Energy Upgrades**

In addition to the commitments being made by the private sector, the President recognizes that there is also more that the Federal government can do to lead in energy efficiency practices. **Today, President Obama signed a Presidential Memorandum directing all Federal agencies to maximize existing authorities to utilize performance-based contracting for undertaking energy retrofits on Federal buildings.**

- The Presidential Memorandum directs Federal agencies to enter into a minimum of \$2 billion in performance-based contracts over the next 2 years.
- Performance-based contracting is an innovative approach to financing building upgrade projects that uses long-term energy savings to pay for up-front costs, resulting in no cost to taxpayers. The approach leverages Energy Savings Performance Contracts (ESPCs) wherein Energy Service Companies (ESCOs) and utility companies conduct energy upgrades of federal buildings and guarantee savings from the improvements.
- The U.S. Chamber of Commerce has recognized that full implementation of this existing federal authority to utilize Energy Savings Performance Contracts (ESPCs) as critical to job creation. The Chamber has specifically noted that tens of thousands of new jobs can be created through ESPC programs across the Federal government and that the President's Better Buildings Initiative was the ideal platform for maximizing this opportunity.
- Data from the Department of Energy reveals a tremendous potential for efficiency investment opportunities in Federal buildings with less than 10-year paybacks. The Presidential Memorandum also directs Federal agencies to complete evaluations to identify specific energy conservation measures, including estimated cost and return on investment to prioritize and implement those energy conservation measures with the best payback, and to provide transparency and accountability through public reporting of results.

### **3. Improvements to Existing Tax Incentives**

The President continues to seek ways to reform and modernize our tax code in a manner that optimizes outcomes for both businesses and individuals. The Internal Revenue Code currently provides a deduction for the cost of qualifying energy efficient commercial building property, commonly referred to as the section 179D tax deduction. The Treasury Department, in consultation with the Department of Energy, previously issued guidance that provides the energy savings targets that must be met for this deduction to be available.

- In an effort to improve this underperforming tax incentive, Treasury is revising that guidance and in the coming weeks will issue new guidance to modify the existing targets for claiming the partial deduction.
- In addition, Treasury, in consultation with DOE, will continue to work on streamlining the requirements for claiming a deduction, including a simplified approach for modeling common energy upgrade measures which would reduce modeling requirement costs for building owners.

## **ADDITIONAL ACCOMPLISHMENTS TO DATE**

### **Establishing “Green” Building Appraisals**

- The Department of Energy entered into a Memorandum of Understanding (MOU) with The Appraisal Foundation to clarify that energy performance should be considered in building appraisals and to provide professional education for appraisers to value energy upgrades. As a result of this MOU, the DOE is actively working with The Appraisal Foundation on web-based training programs, providing technical expertise, and establishing standards and guidelines to industry practitioners for factoring energy performance into buildings appraisals.

### **Implemented Commercial Building Technology Extension Partnership**

- The Department of Energy working with the Department of Commerce’s National Institute of Science and Technology developed a new competitive grant program (\$1.5 million) for technical and community colleges to create training programs for building energy management. A funding opportunity announcement will be made public in the near future, with grant recipient selections expected in early 2012.

## **LEGISLATIVE PROPOSALS**

### **More Generous, Flexible Tax Incentives**

- The President continues to call on Congress to redesign the current tax deduction for commercial building energy upgrades. Despite the aforementioned executive actions that the Administration has taken and is pursuing to improve the existing 179d tax deduction, the President believes that a new, more flexible tax credit is necessary to optimize investment opportunities for building owners and real estate investment trusts (REITs) to upgrade their buildings.

### **“Race to Green” Competitive Grants for States and Cities**

- Last year the President’s budget proposal called for a \$100 million competitive grant program to localities that streamline existing codes, regulations, performance standards, and incentive programs to encourage investment in commercial building energy upgrades. Supporting state and local innovation to spur commercial building energy efficiency investment remains a priority for the Administration.