



# ENERGY EFFICIENCY AND COMMERCIAL REAL ESTATE

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In March 2015, the Senate passed S. 535, the “Energy Efficiency Improvement Act of 2015,” introduced by Senator Rob Portman (R-OH) and cosponsored by Senator Jeanne Shaheen (D-NH). One month later it was passed by the House of Representatives, and shortly thereafter the President signed it into law. The law creates the “Tenant Star” program through the Department of Energy (DOE), a new way to promote energy efficiency in commercial buildings, by creating a government-sponsored “branding label” for landlords and tenants who design, build, and operate energy efficient lease spaces. So – what does that mean?

## WHAT IS “TENANT STAR?”

Tenant star is, first and foremost, a voluntary, market-driven program. It is intended to encourage building owners and their tenants to improve the energy efficiency of the spaces they use, and will also increase investment and job creation. The law authorizes the Environmental Protection Agency (EPA) and the DOE to create together a voluntary “Tenant Star” program. Modeled after the popular “ENERGY Star” program that inspires its name, this program is the first of its kind for commercial buildings, providing recognition with a government-endorsed label to recognize leased spaces within commercial buildings for sustainable design and operation.

Specifically, the program will align the interests of both tenants and landlords to make wise and cost-effective investments in energy-efficient leased spaces. It will save both tenants and landlords money on their energy costs, and on the macro level, is expected to generate new jobs in the field of energy efficiency.

Unlike other proposals calling for mandatory benchmarking programs to encourage energy efficiency in commercial buildings Congress has put forth, Tenant Star is completely voluntary, and will be market-driven. Tenants and landlords will be able

to collaborate and make their own decisions about the best ways to improve their spaces’ energy efficiency, whether that means installing energy-reducing fixtures, automated thermostat systems that react to the presence of people in the space, or more dramatic changes. They can take into account all the aspects of their building – its age, location, climate, the varying uses that its tenants have, upgrades for energy efficiency that have already been installed – and then choose the best, most cost-effective options for it.

Tenant Star will provide commercial building owners and their tenants with an incentive to decrease their energy consumption, which not only reduces their energy bill, but also benefits the environment. It may encourage some to look into taking steps to improve aspects of their building’s energy use, and others to create programs for tenants to follow to lower their energy consumption within their spaces. The label it brings with it should improve the marketability of the spaces and buildings that participate in the program, without stigmatizing buildings that choose not to.

## WHAT HAS NAR DONE?

The National Association of REALTORS® (NAR) was a strong proponent of the Tenant Star legislation, participating in a coalition of other commercial real estate industry groups to lobby for its passage. NAR took part in meetings with key Congressional offices to encourage its passage, and signed onto a coalition letter sent to the House of Representatives Leadership urging them to take up and pass S. 535, which it did shortly thereafter. As the law goes through the rulemaking and regulatory process, NAR will continue to monitor it and take advantage of opportunities to participate to ensure that the program provides the most benefit to commercial real estate.

## NEXT STEPS

The Department of Energy is currently working on the rulemaking for Tenant Star. The first step is for the Federal Government to serve as the test sites for the country – the General Services Administration (GSA) will develop and publish leasing provisions for federal buildings to serve as a template for commercial building owners and tenants to adopt energy and water-saving measures in their spaces. The GSA is also required to develop “best practices” to implement their measures in the real estate services it provides to federal agencies. The GSA provisions are required by the law to be completed within 180 days of enactment, so they should be published by the end of October 2015. There is also a title in the bill requiring the DOE to complete a one-year feasibility study on methods to improve energy efficiency in commercial buildings, which will be completed by May 2016. Final rulemaking on the program is expected to be completed in 2017. ■