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Solutions and Incentives for **Property Management**

Capitalize on Property Value Through Energy Efficiency

Owners of both income- and owner-occupied properties are adding value to their buildings through energy efficiency upgrades. New, energy efficient equipment can lower energy costs, enhance occupant comfort and improve tenant or resident retention, all while potentially increasing appraisal value and resulting rental or sale income.

Plus, any property that reduces energy use can take advantage of incentives offered through PECO.[1]

To help shorten the return on investment of building renovations, new construction and technology upgrades, PECO offers incentives for energy efficient lighting; heating, ventilation and air conditioning (HVAC) equipment; retrocommissioning; building controls; and much more.

In facilities where lighting equipment is replaced by building maintenance staff, property managers are encouraged to contact a distributor who offers PECO Instant Discounts[2] on energy efficient interior and exterior lighting. Save instantly at checkout on approved products.

Invest in an Energy Efficient Property

As more properties are being required to disclose energy usage and market demand for energy efficiency grows among both prospective tenants and buyers proactively reducing energy use is becoming an increasingly smart investment.

While typical building expenses vary, offices in Philadelphia spend on average $1.33 per square foot.[3] In the multifamily sector, electricity expenses average $1 per square foot[4] with usage greater in high-rise buildings due to larger common spaces.[5]

Fortunately, building owners can reduce energy costs 20%–30%[6] through new energy efficiency technologies, innovative lease arrangements and other control strategies.

PECO offers incentives for both existing buildings and new construction. Office spaces that achieve incremental advancements in energy efficiency can receive recognition in the form of higher financial incentives as well as certifications such as Leadership in Energy and Environmental Design (LEED).

While third-party certification is not a prerequisite for participation in PECO Programs, buildings that undergo energy efficiency upgrades and achieve LEED certification receive nearly 5% higher occupancy rates, compared to market competitors, and 7% higher average rents.[7]

Buildings with LEED or ENERGY STAR® certification have also commanded, on average, 16% higher sales prices[8] and 4% increases in asset valuation.[9]

Benchmark Energy Performance

A complete energy management approach starts with determining a property's energy-saving potential through a baseline inventory and facilities audit. Taking these steps recently became easier thanks to new government- and utility-sponsored tools.

In Philadelphia, non-residential and multifamily buildings 50,000 square feet or larger are required to benchmark their facilities using the online ENERGY STAR Portfolio Manager,[10] a free tool provided by the U.S. Environmental Protection Agency.

To facilitate the benchmarking process, the PECO Building Analytics Tool[11] offers an automated system to transfer utility data into Portfolio Manager.

Portfolio Manager simplifies tracking energy performance metrics over a given period of time for a single building or across multiple buildings. Understanding which buildings within a property portfolio have the most striking performance issues helps to focus investment dollars to wherever the biggest gains can be achieved.

Energy benchmarking may yield surprising results. In Philadelphia, for instance, initial concerns were that public disclosure of benchmarking data would unfairly penalize older buildings. As it turns out, older buildings often outperform newer facilities.[12] Benchmarking benefits apply to both commercial and residential buildings. A recent study of hundreds of master-metered multifamily buildings found that properties receiving benchmarking reports achieved 5% energy savings as well as 30% water savings,[13] lowering owner operating costs and raising net operating income.

Identify Energy Efficiency Projects

Even the best-designed buildings become less efficient over time. In existing buildings, the process of retrocommissioning is one of the most cost-effective methods of reducing energy use.

The retrocommissioning process identifies how building operation compares to initial building design and recommends equipment adjustments to improve occupant comfort and to maximize energy savings.

A federal government study of building commissioning projects found 16% average whole-building energy savings with payback periods of less than 14 months.[14] PECO offers cash incentives to lower the cost of a retrocommissioning project even more.

Occupancy sensors are another energy efficiency upgrade that often offers quick payback. Sensors that automatically turn off lights when no one is present can save 15%–30% on lighting costs.[15] Other controls include automatic dimmers, light sensors and timers. Such control systems are prevalent in only half of non-medical offices and less than 10% of religious buildings.[16]

To assist in identifying and implementing cost-effective equipment or process upgrades, PECO maintains a database featuring dozens of local contractors who are familiar with the incentive program and who are available for energy efficiency projects of all sizes.

PECO offers incentives for several popular energy efficiency measures such as:

- Lighting: A variety of LED lamps and TLED tubes; high-bay and low-bay fixtures; canopy fixtures and parking lot kits qualify. Even permanent fixture removal can qualify in situations where LEDs provide brighter illumination through fewer total fixtures. Customers can save instantly at checkout if purchasing light fixtures through a participating distributor.[18]
- Energy management systems: Otherwise known as building automation systems, energy management systems can yield energy savings of 20%–30%[19] when controlling lighting systems or 15% for HVAC systems.
- HVAC: Comfort systems including high-efficiency air conditioners, heat pumps, packaged terminal air conditioners, unitary HVAC chillers and demand-controlled ventilation units, are all incentivized on a per-ton basis.
- Water heaters: Heat pump water heaters as well as ENERGY STAR certified commercial gas water heaters qualify in instances where a PECO customer switches from using an electric water heater.
- More: Data center upgrades, refrigeration equipment and controls, food service equipment and custom retrofit measures.

Green Leases, Fit-Outs and Financing

Simple adjustments to the standard lease arrangement can help significantly reduce energy consumption and finance much needed building upgrades. The following is an example for how property owners can share the costs of an energy-saving project with their tenants.

Rather than incur the full costs of capital improvements, building owners who include a cost-recovery clause can aggregate improvement costs as part of tenant operating expenses. A monthly payback amount can be calculated upfront using predicted energy savings, determined by a professional energy specialist. Retrofit costs are recoverable as soon as the new equipment is installed.

Using this framework, a $2 million project split between owner and tenant, with $500,000 in annual savings, would include $400,000 of energy savings (80% of total) as part of tenant operating expenses. By including the aggregate improvement costs over a 60-month period, the payback period would stretch from 48 to 60 months.[20]

Tenants immediately receive 20% of their share of energy savings, while enjoying the full amount of savings after the retrofit is paid off. The owner accrues energy savings when the lease turns over because of lower building operating costs.

Other approaches include negotiating for energy efficiency upgrades as part of the fit-out process. Examples include requesting tenants meet LEED certification requirements or install submeters that reflect individual tenant energy use.

Submetering allows tenants to manage their own energy costs. Prices to purchase and install submeters have dropped dramatically. Costs are often recovered through energy savings that result from changes in tenant behavior. Savings from installing submeters range from 10%–20%.[21]

Beyond incentives offered through PECO, business owners can leverage several state and federal incentives to finance their energy efficiency projects. The following grants, loans and tax deductions are available for property owners investing in energy efficiency:

- Through the Pennsylvania Industrial Development Authority,[22] County Economic Development Organizations offer machinery and equipment loans of up to $1.5 million over a 10-year term.
- Pennsylvania's Small Business Advantage Grant Program[23] offers businesses with fewer than 100 employees matching grants covering 50% of project costs.
- Pennsylvania's High Performance Building Program[24] provides low-interest loans of up to $2 million and grants for 10% of project costs.

▶ Building owners interested in unlocking the energy efficiency potential within their properties or facilities should contact PECO at **1-844-4BIZ-SAVE** (1-844-424-9728) or visit **peco.com/PropertyManagement**.

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