

Better Buildings Initiative to Create Opportunities and Incentives for Commercial Building Owners and Stakeholders

February 4, 2011

A new energy efficiency plan announced by President Obama may be of particular interest to commercial building owners. The “Better Buildings Initiative” sets an overall goal of achieving a 20% improvement in the energy efficiency of commercial buildings by 2020, and is projected to reduce the annual energy bills of business owners by \$40 billion. The program, announced by the President on February 3, aims to achieve its goal by facilitating cost-effective upgrades through tax incentives for building owners (including real estate investment trusts, or REITs) and financing opportunities for commercial retrofits. In addition, the initiative includes a new approach, dubbed “Race to Green,” which proposes competitive grants to states and municipalities that streamline regulations and standards to encourage upgrades and attract private investment for retrofit projects.

Highlights of the Better Buildings Initiative include the following:

- **New Tax Incentives for Building Owners and REITs**

The President will ask Congress to redesign the current tax deduction for commercial building upgrades to create a more generous tax credit. The Obama administration believes that this change alone could result in a tenfold increase in commercial retrofits.

- **Increased Emphasis on Increasing Private Sector Investment at the State and Local Level**

The “Race to Green” program recognizes the ability and importance of states and municipalities in revising and implementing energy efficient standards and codes. The President’s budget will propose new competitive grants to state and local governments that make an effort to streamline their standards, spurring private sector investment. This proposal is modeled on the Obama administration’s “Race to the Top” program, in which billions of dollars in grants were made to state governments that adopted various education reforms.

- **Greater Financing Opportunities for Commercial Retrofits**

The President’s budget proposal includes a new pilot program through the U.S. Department of Energy to guarantee loans for energy efficiency upgrades to commercial buildings, as well as to schools and hospitals.

- **Greater Visibility for Leaders in Energy Efficiency**

The Better Buildings Initiative will encourage corporate CEOs and university presidents to make their organizations leaders in energy efficiency by committing to a series of actions focused on saving energy. Accordingly, these leaders will be eligible for a series of benefits, including technical assistance, public recognition, and the ability to share best practices with other leaders.

These new financing opportunities and incentives will likely lead to a significant increase in commercial building upgrades and capital investment. We will continue to monitor and share developments relating to the Better Buildings Initiative. If you have any questions relating to the information discussed in this LawFlash, please contact any of the following Morgan Lewis attorneys:

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