

California Encourages Energy Efficiency in Commercial Real Estate

January 24, 2014

After an initial delay, as of January 1, 2014, AB 1103 mandates that energy consumption be disclosed prior to entering into sales and financings of nonresidential buildings over 10,000 square feet and leases of the entirety of such buildings to a single tenant. The requirements will extend to all buildings in excess of 5,000 square feet beginning July 1, 2014. The disclosure and benchmarking requirements of AB 1103 are intended to promote energy efficiency in commercial buildings which, together with manufacturing plants, purportedly use half of the energy consumed in the United States.

Any commercial property owner contemplating a sale or financing of a building, or lease of an entire building, should register as soon as possible with EPA's Energy Star portfolio manager system in order to be able to produce the required disclosures. At least a thirty-day lead time is required. In opening an account on the Energy Star program Portfolio Manager website, an owner must provide the year in which the building was constructed; identify all sources of energy use data for the entire building for at least the most recent 12 months; provide space use characteristics for all space types in the entire building; and request all utilities and energy providers serving the building to release energy use data for the entire building from at least the most recent 12 months; or, the owner may manually enter all energy use data for the entire for the entire building from at least the most recent 12 months to the owner's Portfolio Manager account.