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The Honorable Lisa Murkowski
Chairman
U.S. Senate Committee on Energy & Natural Resources
709 Hart Senate Building
Washington, D.C. 20510

The Honorable Maria Cantwell
Ranking Member
U.S. Senate Committee on Energy & Natural Resources
511 Hart Senate Office Building
Washington, D.C. 20510

Dear Chairman Murkowski and Ranking Member Cantwell:

On behalf of the more than one-million members of the National Association of REALTORS® (NAR) and its affiliates, the CCIM Institute and the Institute for Real Estate Management (IREM), I write to express our concerns with S. 1052, Senator Franken's benchmarking bill, which was considered during the April 30th Committee hearing on energy efficiency legislation. S. 1052 promotes a "one size fits all" solution to the issue of energy efficiency, which could have harmful effects on the real estate industry.

S. 1052 promotes what is commonly referred to as energy benchmarking, which requires building owners of commercial and multifamily properties to compare a building's energy usage to other buildings and make publically available either a "score" or at the very least an estimate of how much energy a building consumes. While several cities around the country have created these types of programs, there is no data suggesting that disclosing a building's energy usage will have an impact on either tenants' behavior or lead to an increase in energy efficiency for a building as a whole. Instead, the programs create misperceptions about the ability of a building owner to affect tenant energy usage, resulting in lower benchmarking scores that may unfairly devalue a building depending on the tenant mix and local market. They also have the effect of stigmatizing buildings which were built in conformance with older building codes, and thus will likely be scored lower.

Rather than using low benchmarking scores to try to promote efficient energy usage by tenants, a better route forward would be to offer voluntary financial incentives for building owners interested in exploring their property's energy performance and improvements that may effectively produce a positive return on investment. Not all markets are created equal, and the costs that can be absorbed in certain areas are not cost effective in others. Tenant lease rates, energy costs and finance rates are the most important variables accounting for energy retrofit activities. Financial incentives could show a building owner which upgrades provide for the most cost-effective improvement in energy efficiency. This aligns the advancement of energy efficiency with the economics of real estate development.

For these reasons, NAR feels strongly that this legislation could produce harmful results to the real estate industry.

Sincerely,

Chris Polychron
2015 President, National Association of REALTORS®

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