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CELEBRATING 55 YEARS

For commercial buildings, new year spells new opportunities

February 05, 2015 - Northern New England

There's some good news for commercial building owners and property managers to herald in the new year, courtesy of the federal government.

The deadline for the Energy-Efficient Commercial Buildings Tax Deduction, a section of the 2005 Energy Bill that offered handsome deductions for energy efficiency upgrades, was retroactively extended through the end of 2014.

The deduction knocks off as much as $1.80 per s/f if a building realizes a 50% energy cost savings through energy efficiency upgrades. The upgrades must be certified by a third-party assessor, such as a contractor or engineer with specified modeling software. The building also must have been placed in service (i.e., operational) prior to Dec. 31, 2014.

The deduction applies to owners of new or existing buildings who installed either interior lighting, building envelope improvements (such as insulation, air sealing, pipe wraps and the like), or HVAC and water systems that reduce the building's total energy cost by at least 50%. That's compared to a baseline building that meets minimum requirements set in 2001 by an industry standards organization called the American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE).

"The deduction has provided a great deal of value to companies, especially those engaged in designing and constructing energy efficient buildings for local, state, and federal government," said Mike Caouette, CPA, principal, Tax Services Group, BerryDunn in Portland. "Along with a reduction in income tax, using the incentive during the bidding process provides firms with a competitive advantage. Sharing the potential 179D benefits with the project owner can often lower the cost of design on the project. That ultimately translates to a greater award rate on bids for energy efficient design and construction work."

Eligible upgrades even include measures such as windows, siding, roofing, natural ventilation, daylighting, improved fan system efficiency, onsite generation, and certain electrical wiring projects. The designation is also fuel neutral - that is, it's irrelevant what type of fuel is used to power the equipment or heating system, whether oil, natural gas, or solar, as long as the savings add up.

Building owners who didn't reach the 50% threshold could still be eligible for fairly generous partial deductions for HVAC and hot water systems, interior lighting systems, or the building envelope at $0.60 per square foot per category if qualifying energy cost savings percentages are met. Also eligible are commissioning and labor costs.

A wide variety of projects could potentially qualify for this late Christmas gift, including garages, manufacturing facilities, and warehouses. Even public buildings such as schools are eligible, though the deduction is granted to the person primarily responsible for designing the property. In some circumstances, a tenant of a commercial building may be eligible for the tax credit if he or she paid for the improvements and has an arrangement with the landlord.

As is the case with any tax issues, readers should consult with their accountant or financial advisors about the tax deduction.

Think Efficiency

Many companies are realizing significant savings as a result of lower oil and gas prices - particularly small companies heating with oil or those with a fleet of small vehicles. Why not take some of those savings and invest in energy efficiency? Given the increase in electricity prices expected to take place, not to mention the correction in the price of oil, both electric and thermal efficiency measures would allow you to save money over time.

After all, the least expensive energy is the energy you don't need to pay for in the first place.

Replacing inefficient lighting with energy-efficient lighting like LED and T-8 and T-5 bulbs is among the easiest and most cost-effective efficiency measure you can make. Building envelope improvements like air sealing, insulation, and pipe wrapping also can save as much as 20 to 40% on your energy bills, depending on the circumstances, and are relatively inexpensive.

If you're not sure where to start, many energy efficiency vendors and HVAC companies offer free walk-through inspections to see if your facility could benefit from energy efficiency upgrades. You can also pay for more substantial energy assessments or "audits," much more thorough surveys which usually include a detailed report and plans for making deeper energy measures. Some New England states, notably Massachusetts, Vermont, and Maine, offer generous rebates and incentives to offset the cost of energy-efficient equipment and installation. In Maine, trade allies called Qualified Partners are familiar with the latest rebate information and even help their clients complete the incentive paperwork. They are trained in getting their clients all the state incentives they're eligible for.

Energy efficiency technology is advancing rapidly in areas ranging from refrigeration and automated controls, to combined heat and power generation, heat pumps, and automated battery back-up. There's never been a better time to make changes and pocket the savings year after year.

Brrrrr...

In New England and much of the nation, the weather outside has been frightful, if not downright polar. So it may seem a bit odd to talk about cooling needs in industrial and office buildings.

But just like greeting card companies and retailers plan their holiday sales campaigns in July, the same should be true for building managers thinking about summer cooling needs. Now is the perfect time to anticipate your cooling needs (we assure readers, summer will indeed arrive on June 21, if not warm temperatures) and think about lining up a contractor. Though it's still a bit early to conduct a pre-season check-up, place it on your to-do calendar for early spring, when contractors typically aren't swamped.

Make sure your building maintenance budget includes a line item for HVAC maintenance, repair, or if necessary, replacement. Shop around now for the right contractor for the job, and if you're considering an upgrade, make sure to get multiple quotes, not just an estimate from the vendor who sold you your old system.

If you need to replace your HVAC system this summer, consider the following:

* There is no substitute for hiring a qualified engineer or design-build contractor to properly size and select the system. A qualified company will ensure that all building codes are met, the system is sized correctly, and the equipment type is appropriate for the application.

* Question past assumptions. For example, air-to-air heat pump systems were once very inefficient at temperatures below 40Â°F, but the current generation can easily operate efficiently at zero

degrees.

* Complex systems are sometimes warranted, but in many cases a more simple system can be designed that is efficient, easier to operate, and less costly to maintain. Complicated is not always better and almost always has a higher upfront cost.

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