Minneapolis Building Rating & Disclosure Policy

A review of the ordinance

What is Building Rating & Disclosure?

Rating and disclosure is **a policy tool that uses market forces**, not performance or design mandates, to increase building energy performance awareness and motivate owners and tenants to invest in energy efficiency improvements. The goal is to increase the energy efficiency of existing buildings in the commercial real estate marketplace by providing consistent data.

This type of policy requires the building owner, operator or manager to measure the building's energy performance and generate an energy performance score and other performance metrics, similar to a fuel economy rating on a vehicle. After benchmarking is complete, the energy metrics are made available to the marketplace, most effectively through a publication on a publically accessible web site.

How does it work?

Building owners are required to annually benchmark the energy and water use of their buildings using the free, web-based ENERGY STAR Portfolio Manager software. The data is transmitted to the City through the Portfolio Manager tool and, after a grace period, the City discloses the data through a website. The City will lead by example, publishing benchmarking data for City buildings over 25,000 square feet prior to any private building data being disclosed. The City is also working with other public sector partners, like the Minneapolis Park & Recreation Board, Minneapolis Public Schools, and Hennepin County to secure voluntary agreements for their participation in the first round of disclosure.

Compliance for private buildings will be phased-in over a number of years to give building owners adequate time to understand the requirements and perform the benchmarking. The table below shows the timeline identified in the draft ordinance.

	Data Reporting due to the City	**Disclosure by the City** **(via public website)**
2013	City Buildings over 25,000 sq. ft.	City Buildings over 25,000 sq. ft.
2014	• City Buildings • Commercial Buildings over 100,000 sq. ft.	City Buildings
2015	• City Buildings • Commercial Buildings over 50,000 sq. ft.	• City Buildings • Commercial Buildings over 100,000 sq. ft.
2016	• City Buildings • Commercial Buildings over 50,000 sq. ft.	• City Buildings • Commercial Buildings over 50,000 sq. ft.

What are the benefits?

- **Green Jobs.** A Rating and Disclosure Policy has the potential to motivate investment in existing buildings and create jobs in the energy management, benchmarking, auditing and installation/retrofit industries. Examples from cities where policies are in place, such as New York, show increased demand for energy services and growth in energy management companies. Minneapolis has adopted specific targets for increasing green jobs and green companies in the city, and green building policies may help the city reach these goals.

- **Environmental Benefit.** The Minneapolis City Council has adopted targets for community-wide greenhouse gas reduction of 15% by 2015 and 30% by 2025. **In 2010, energy use in commercial and industrial buildings accounted for over 44% of Minneapolis' community-wide emissions**. Policies focused on these building types, like Rating and Disclosure, are critical to achieving the City's goals.

- **Benefits to the local economy.** While most of the dollars spent on energy leave the community (to pay for energy resources), savings realized for energy efficiency mean dollars can be redirected to other purposes, like reinvesting in businesses or hiring more workers. The energy efficiency retrofit industry also cannot be "outsourced", energy efficiency investments can provide local jobs.

- **Focuses on existing buildings.** In any given year, **existing buildings represent over 90% of the building stock in Minneapolis**, and a similar amount of the energy consumption from the buildings sector. Rating and disclosure is a tool that can promote energy efficiency in the existing building sector.

What is the policy impact?

The table to the right shows an estimate of how many buildings this policy would impact each year.

While large commercial buildings are relatively few in number, they represent a significant amount of square footage. Commercial buildings over 50,000 square feet represent over 70% of the total commercial square footage in the city.

Policy Impact Estimate

Year	Number of buildings reporting
2013	40 City buildings (25,000 SF+)
2014	382 commercial buildings (100,000 SF+)
2015	628 commercial buildings (50,000 SF +)

How will the ordinance be enforced?

In Minneapolis, enforcement of the ordinance would be the responsibility of Environmental Services, which is a program area of the Minneapolis Health Department.

Enforcement would be carried out in a manner similar to other city programs, such as the Pollution Control Annual Billing program. Enforcement will likely include these elements:

- Covered building owners will receive a notice via mail annually that their building must comply with the rating and disclosure ordinance. This letter will contain the compliance schedule, instructions for complying with the ordinance, and links to resources such as grants and loans for retrofits.

- After the compliance deadline, city staff will send written warning to noncomplying buildings owners.

- After a reasonable time period to be determined, if benchmarking information has not been submitted, the City will issue a violation notice, potentially including a daily fine for non-compliance.

- The City may also seek to implement a citation system for tenants that fail to comply with the ordinance requirements to provide the building owner with utility data when applicable.

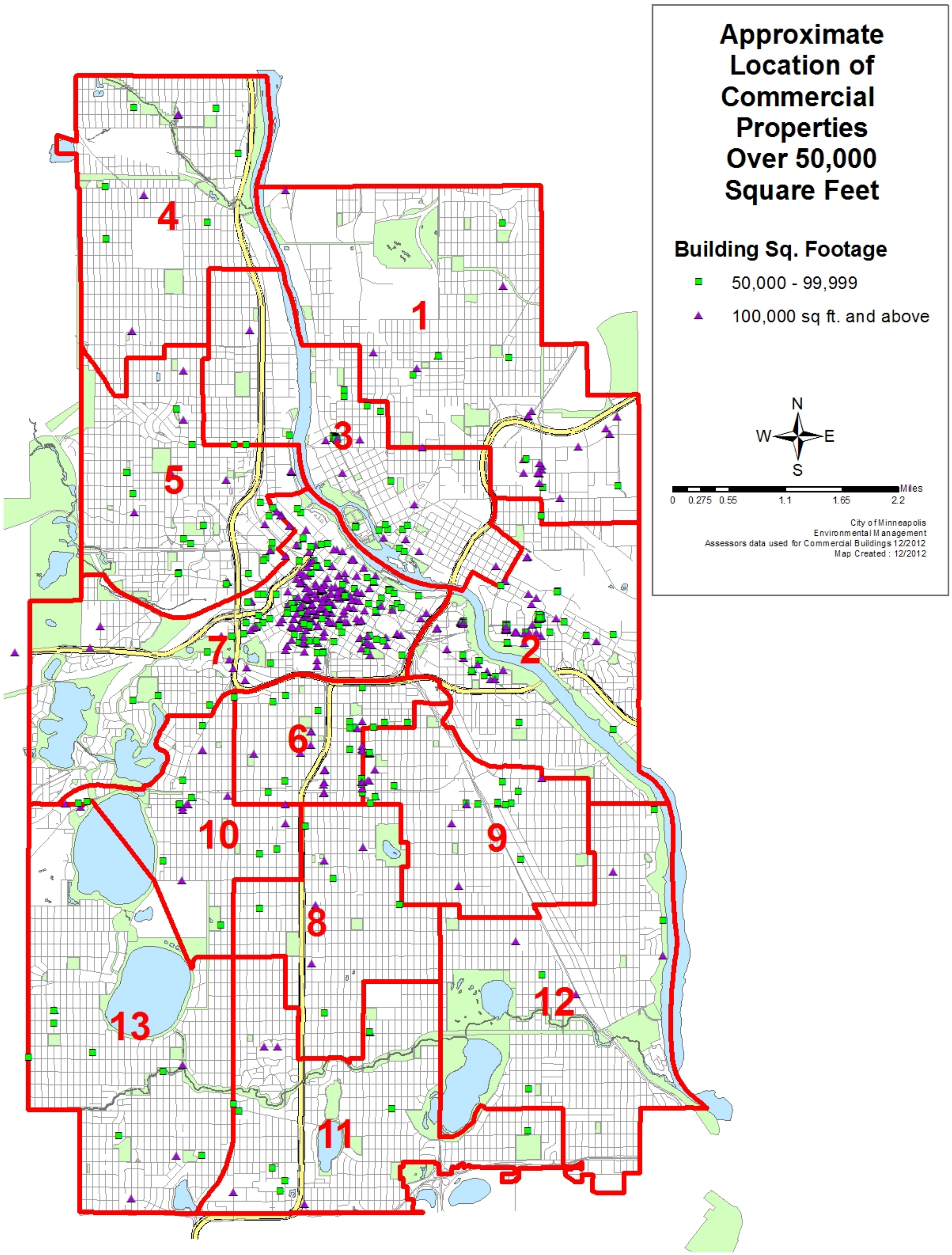
Exemptions

Under certain circumstances, the energy usage data and Energy Star score provided by a building owner would not accurately reflect the performance of a building. In these cases, the building owner could claim an exemption to the disclosure ordinance after documenting that their building is subject to one of the following cases:

- **Financial distress**. Buildings that are experiencing financial distress are exempt from the benchmarking and disclosure requirement. Qualifying financial distress includes:
    - Buildings currently involved in a qualified tax lien sale or public auction due to property tax arrearages
    - Buildings with a court appointed receiver due to financial distress
    - Buildings owned by a financial institution through default by the borrower
    - Buildings acquired by a deed in lieu of foreclosure
    - Buildings where the senior mortgage is subject to a notice of default

- **Unoccupied.** Buildings that have had less than 50% occupancy for the previous calendar year.

- **New Construction.** If the building's certificate of occupancy was issued less than two years prior to the applicable benchmarking deadline established for the building.


Approximate Location of Commercial Properties Over 50,000 Square Feet
Building Sq. Footage
50,000 - 99,999
100,000 sq ft. and above
N
W
E
S
Miles
0 0.275 0.55 1.1 1.65 2.2
City of Minneapolis
Environmental Management
Assessors data used for Commercial Buildings 12/2012
Map Created : 12/2012
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