

Energy Efficient Older Buildings Improvement Act of 2009

The National Trust for Historic Preservation has developed a set of proposals to provide incentives for making historic and older homes and commercial buildings more energy efficient. Historic preservation can make a difference in addressing climate change and creating new jobs, because historic and older buildings are part of a more sustainable built environment.

National Trust Proposals:

The National Trust has three proposals to encourage energy efficiency in historic and older buildings with recommendations for a federal agency infrastructure that would make the program work. It would encourage cooperation between the Department of Energy, Environmental Protection Agency, and National Park Service to develop guidance on energy efficient retrofits in historic buildings.

1. Home Efficiency Retrofit Program: The National Trust is working to ensure that upcoming energy and/or climate change legislation includes enhanced energy efficiency incentives for homeowners of historic and older homes. We estimate conservatively that there are between 3 and 4 million eligible properties and data show that these older homes have a higher carbon footprint than buildings of more recent vintage. Existing federal incentives for home retrofits do not work equally well for all housing types and provide only a modest incentive for homeowners. The National Trust supports giving homeowners a choice between a rebate for the purchase of certified energy-efficient products and a more substantial rebate for verified reduction in home energy usage. .

Under the program, homeowners could obtain a \$1,000 or \$2,000 rebate for the purchase of certified materials or systems. Alternately, a homeowner would receive a \$3,000 rebate incentive for the first 20 percent improvement in energy efficiency and an additional \$150 for each 1 percent improvement thereafter, up to a maximum of \$15,000. Because retrofitting historic homes typically costs around 25 percent more than a newer home, certified historic structures (i.e. historic homes) would be eligible for 125 percent of this incentive.

Our preliminary estimates suggest that it would be possible to retrofit approximately 300,000 historic homes per year. This would produce a carbon savings of approximately 945,000 tons in the first year alone, and save the equivalent of more than 1.2 million barrels of oil. After year 10 years of the program, we estimate that there would be a combined carbon savings of about 52 million tons of carbon, and the equivalent of 72 million barrels of oil.

2. Historic Tax Credit Energy Efficiency Supplement: In the past 10 years alone, the federal Historic Rehabilitation Tax Credit (HTC) has sparked the rehabilitation of more than 217 million square feet of historic commercial and residential space. The continued use of

these buildings reduces the amount of demolition and construction waste deposited in landfills, lessens unnecessary demand for energy and other natural resources and conserves embodied energy (the amount of energy originally expended to create extant structures).

Even so, the focus of the HTC on achieving rehabilitations that respect the historic character of buildings has sometimes prevented it from also encouraging energy efficient retrofitting. The National Trust's proposed legislation would incentivize the energy efficiency component of historic rehabilitation projects through an "energy efficiency supplement" to the existing HTC that would increase the amount of the tax credit available for certified historic rehabilitations that also achieve specified energy efficiency performance levels. Project owners would receive between an additional 4-10 percent tax credit depending on the level of energy efficiency achieved. The number of eligible buildings that could benefit from this added boost is conservatively estimated to be between 1 and 1.5 million. If just 1,000 property owners took advantage of this incentive per year, the retrofits would produce an estimated carbon savings of 8.2 million tons over the next 10 years, and save the equivalent of 11 billion barrels of oil.¹

3. Older, Non-Historic Commercial Building Retrofit Program: The National Trust's proposal would also create an incentive for energy efficiency improvements to commercial buildings that would compliment the existing Commercial Building Deduction under Section 179D of the Code that currently provides a \$1.80 deduction per square foot to retrofits commercial buildings. The existing program is infrequently used because of the high energy efficiency standards it requires and is particularly difficult for older and historic buildings. The National Trust would establish a new demonstration program for buildings over 30 years old and provide a tax deduction per square foot for buildings that improve their baseline energy performance by a minimum percentage. The deduction would range from between \$.15 to \$2.50 per square foot depending on efficiency improvements achieved. The key innovation of the amended program is that it would use the prior year's building performance as the baseline for calculating the energy savings resulting from applicable energy improvements.

60 percent of the commercial building stock was constructed prior to 1980 (30 years or older) – about 3 billion square feet would be eligible for rehabilitation. The Natural Resources Defense Council estimates that there is the capacity to rehabilitate about 7 percent of the existing building stock annually. If 7 percent of eligible commercial space was rehabilitated annually, it would generate a savings of approximately 17 million tons of CO₂ each year and save the equivalent of more than 20 million barrels of oil

Certified historic structures are excluded from this part of the National Trust's in favor of an enhanced Historic Tax Credit (Item #2 above). Limiting the new program to older buildings reduces its cost while creating a demonstration program that would be available to every community in America. It would also leverage the "location efficiency" of older buildings that are typically in areas with existing infrastructure, transit, and walkable neighborhoods allowing residents to use less carbon intensive means of transportation and relieve development pressures on open spaces and agricultural lands. Existing provisions in Section 179D would remain available for all commercial buildings, regardless of age.

4. Energy Efficiency Policy Infrastructure for Historic and Older Buildings. Building energy efficiency programs are housed principally in the Department of Energy with support from the EPA, while concern for historic buildings is housed in the National Park Service. To

¹ During the last 10 years, approximately 7000 rehabilitation projects received federal historic tax credits.
March 9, 2009

date, DOE and EPA energy programs have focused more on new construction with no particular emphasis on the special needs of older and historic buildings. Likewise, NPS's administration of the National Historic Preservation Program was not designed to compliment national energy goals. The National Trust's legislation is designed to harness expertise regarding old buildings found in the NPS with expertise found in the DOE and the EPA and to put that combined experience in service of Americans retrofitting their older and historic homes and commercial buildings.