

AIRBORNE ACT

A PROPOSED PACKAGE OF TAX CREDITS FOR INDOOR AIR QUALITY ASSESSMENTS AND AIR FILTRATION AND HVAC SYSTEM UPGRADES

Key Takeaways:

The EPA lists poor indoor air quality as one of today's top risks to public health.

Commercial real estate is expecting a rise in tenant demand for safe and healthy indoor air following COVID-19.

The **Airborne Act** provides tax credits to commercial real estate owners and property managers to conduct IAQ assessments and upgrades to air filtration and HVAC systems of:

\$1 per SQ FT for assessments

\$5 per SQ FT for filtration upgrades

\$50 per SQ FT for HVAC upgrades

The EPA and U.S. Department of Energy would establish a voluntary program, through which commercial real estate property owners may certify compliance with the established IAQ standards.

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Background:

As the United States continues to recover from the COVID-19 pandemic, indoor air quality (IAQ), employee health, and property sanitation standards are among the chief concerns as tenants look to renew, or begin, commercial office space leases.

As businesses continue their return to in-person work, providing safe and healthy workplaces is one of the commercial real estate industry's top priorities.

In the 117th Congress, Representative Don Beyer (D-VA-6) introduced **H.R. 7671: Airborne Act**; however, the legislation did not ultimately end up passing into law.

The Proposal:

The Airborne Act is a package of tax credits incentivizing commercial real estate property owners or managers to conduct IAQ assessments of their facilities and upgrade air filtration and HVAC systems in compliance with the American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) Standard 62.1-2019, along with the installation of filters and air cleaners that achieve a Minimum Efficiency Reporting Value (MERV) rating of 13 or better.

The Airborne Act provides a tax credit equal to:

- \$1 per square foot for indoor air quality assessments—not to exceed total project cost.
- \$5 per square foot for air filter upgrades—not to exceed 50% of total project cost.
- \$50 per square foot for HVAC system upgrades—not to exceed 50% of total project cost.

Additionally, the **Airborne Act** would require the Secretary of Energy, in consultation with the Administrator of the Environmental Protection Agency (EPA), to establish a voluntary certification program through which property owners may certify that their properties are in compliance with the IAQ standards of the legislation.

Position and Ask:

BOMA International endorses the Airborne Act. We ask that Members of Congress lend support for its re-introduction in the 118th Congress; and upon such, encourage the co-sponsorship of this legislation. Act

SMALL BUSINESS ENERGY LOAN ENHANCEMENT ACT

Key Takeaways:

In 2021, the average age of a commercial building in the United States was 53 years old.

Commercial buildings account for nearly 40% of energy consumption in the U.S.

Small business owners must find funding solutions to comply with increasingly strict local, state, and federal mandates.

The evolving expectations of 21st Century tenants are raising the demand for more modern, smarter, and energy efficient buildings.

Small CRE businesses do not have the cash-on-hand to fund these projects, as the costs associated often exceed the current loan amount of \$5.5 million.

The Small Business Energy Loan Enhancement Act will expand the maximum allowable cap for SBA 504 Loans **from \$5.5 million to \$10 million.**

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Background:

The Small Business Administration's SBA 504 Loan Program provides favorable-term financing for small businesses to make energy efficient investments in their commercial properties—including renovations, retrofits, and purchases of major fixed assets.

While most SBA 504 Loans are capped at \$5 million, projects that reduce total energy consumption by at least ten percent may qualify for an expansion up to \$500,000—for a total possible loan of \$5.5 million.

During the 117th Congress, Rep. Jason Crow (D-CO-6) and Rep. Don Bacon (R-NE-2) introduced H.R. 6921: Small Business Energy Loan Enhancement Act. This legislation would expand the loan cap for energy efficient investments up to \$5 million, for a possible total loan amount of \$10 million. Ultimately, the Small Business Energy Loan Enhancement Act, did not become law.

Energy Consumption and Efficiency in the Built Environment:

In 2021, the average commercial building in the United States was 53 years old. As tenant needs and expectations evolve, the commercial real estate industry faces a significant demand to deliver more modern and energy-efficient buildings.

However, small commercial real estate businesses do not have the cash-on-hand to finance extensive renovations or retrofit projects, as the associated costs far exceed the current SBA 504 cap of \$5.5 million.

Energy costs are one of the largest expenses for commercial buildings, accounting for nearly 40% of total energy consumption in the United States. However, by applying appropriate energy upgrades to commercial properties, building owners, managers, and tenants can make significant reductions in the amount of energy consumed.

According to the American Council for an Energy-Efficient Economy (ACEEE), the majority of a commercial property's energy load comes from HVAC units and lighting systems, representing 47% and 18% of energy consumption, respectively. Replacing and/or upgrading one—or both—of these systems will yield the most immediate and sizable reductions of energy.

Position and Ask:

BOMA International strongly endorses the Small Business Energy Loan Enhancement Act. We ask that Members of Congress lend support for its re-introduction in the 118th Congress; and upon such, encourage the co-sponsorship of this legislation.

SAFEGUARDING TOMORROW THROUGH ONGOING RISK MITIGATION (STORM) ACT AND THE RESILIENCE REVOLVING LOAN PROGRAM

BACKGROUND:

The commercial real estate industry is continuing to experience mounting damages and insurance losses to increasing natural hazard events, with floods leading the main disaster categories (flood, fire, wind, earthquakes) as the costliest disaster type.

Across national flood zones, there are an estimated 3 to 4 million commercial properties classified as “high-flood-risk properties.” Within 15 years, flood insurance will simply be unaffordable for a majority of commercial property owners, ultimately leading to a significant devaluation of their properties and assets.

THE ISSUE:

Flood mitigation projects, such as elevation—raising the structure’s foundation above the Base Flood Elevation point—and dry floodproofing—constructing perimeter systems, door/window barriers, or point-of-use systems that can be swiftly deployed at the immediate onset of flooding—are proven methods to reduce flood risk and preserve property values. However, the most significant hurdle facing disaster mitigation has been—and still remains—the exorbitantly high costs associated with these projects, and the lack of funding and financing available to businesses to make these investments.

Most federal grant programs fail to provide remotely enough funding to cover these costly projects, and for far too long, the small businesses within the commercial real estate industry have been failed in their need for long-term, low-interest financial aid for disaster mitigation investments.

BOMA International, along with partner associations across the built environment, have worked with Congress and the White House to create a revolving loan program for flood, wind, fire, earthquake, and other natural hazard mitigation projects.

In January of 2021, the STORM Act—Resilience Revolving Loan Program (PL 116-249) was signed into law. Though this vital program was established, it did not actually receive funding until November of 2021, when \$500 million was appropriated through the Infrastructure Investments and Jobs Act to fund STORM Act programs.

OUR POSITION AND ASK:

Not only do mitigation efforts work, they save significant amounts of taxpayer dollars. For example, adopting the latest editions of published consensus-based building codes and standards can save up to \$13 per \$1 invested. Resilience strategies like these can and should be promoted in communities across the country as an important tool to save property – and more importantly – lives.

It is critical that Congress fund key pre-disaster mitigation programs to support communities across the country to better prepare for future disasters. BOMA International urges Congress to ensure that the programs established by the STORM Act remain fully funded and accessible for community mitigation and resiliency projects.

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