



IMT
INSTITUTE
FOR MARKET
TRANSFORMATION

nbi new buildings
institute

Reviving America's Commercial Building Sector: **2025 Efficiency & Resiliency Policy Agenda**

Key segments of America's commercial building sector are in crisis. Rising interest rates, falling occupancy and the high cost of insurance and construction have created intense strain on owners and developers. From large urban centers to rural downtowns, communities face declines in tax revenue and struggling business districts.

This is both an urgent economic issue and a growing environmental challenge. Commercial buildings account for approximately 17% of total U.S. energy consumption, and 15% of U.S. greenhouse gas emissions.¹ Aging commercial infrastructure is also at risk from unprecedented weather events, the costs of which pose an increasingly unsustainable burden on local, state and Federal governments and the private sector. Insurance rates are rising rapidly as the risk of property damage increases with the proliferation of extreme weather.

Fortunately, this is also exactly the right moment for a new set of policies that can incentivize improvements in commercial building efficiency and resilience.² Our organizations have come together to call on the next Administration to support a focused set of market-based, bipartisan and achievable policies designed to address this crisis and position commercial buildings to be better prepared for the future. These policies will reduce business costs, create tens of thousands of jobs across the building trades and manufacturing sectors, prepare the commercial building sector for the future and deepen private sector investment in communities across the country.

¹ USGBC, State of Decarbonization (2023), available at <https://build.usgbc.org/state-of-decarbonization-2023>.

² The time when a space is vacant or the property is being repositioned provides an opportunity to make renovations to improve efficiency or resilience, and may be easier and more cost effective.

Policy Recommendations – Restoring America’s Commercial Building Sector

The next Administration can help revitalize America’s commercial property sector while improving its resiliency, addressing its impact on human health and the environment, and supporting U.S. economic competitiveness. Major strides toward these objectives can be achieved by advancing these market-based, bipartisan policy opportunities:

1. **Expand the Sec. 48E Clean Electricity Investment Tax Credit to cover energy efficiency investments** (more details are available [here](#)).

The Sec. 48 Investment Tax Credit has proven to be a highly effective tool for encouraging investments in clean energy technologies such as solar, storage and geothermal energy on-site at commercial buildings. However, while energy efficiency is widely viewed as a foundational solution to energy and climate challenges, the ITC does not apply to energy efficiency investments in buildings, even under its revised technology-neutral structure taking effect in 2025. This is despite energy efficiency delivering multiple additional benefits, including reducing energy costs, strengthening grid reliability and flexibility, and creating good-paying jobs in the building trades.

Congress can address this disparity by updating the ITC to apply to energy efficiency investments under the technology-neutral framework. The new **Energy Efficiency ITC (EE-ITC)** would apply to new construction and existing building retrofits, and the incentive would be pegged to performance, with the amount of tax credit based on qualifying investments in defined technologies such as envelope improvements; heating, cooling, ventilation and water heating systems; and energy management systems.

2. **Create a tax credit or bonus encouraging office-to-residential conversions.**

In many cities, office and retail occupancy remains critically low in the wake of the pandemic, while housing shortages are becoming even more acute. Conversion projects are happening, but the costs can be high and there remain missed opportunities. The next Administration can help address both challenges by supporting a robust tax incentive for the conversion of commercial office or retail buildings into multifamily buildings, ideally including affordable housing units. This could be achieved through amendments to various existing tax laws, including through accelerated depreciation or

--	--	--

bonus incentives for conversion projects under the Sec. 48 Clean Electricity Investment Tax Credit or the Sec. 179D Energy Efficient Commercial Building Tax Deduction.

Several proposals for new conversion tax incentives have been introduced, and we are ready to work on further refining these ideas and developing support for a bipartisan bill to create an appropriate level of incentive for conversions.

Regardless of the mechanism, financial incentives to support conversions must incorporate threshold eligibility requirements for energy efficiency, resilience, and sustainability, as well as provisions supporting affordable housing. Additional considerations are the value of the credit, with proposals focused on a percentage of the qualified conversion expenditures; criteria to ensure the credit is used as intended on nonresidential real property; and timing of the conversion project with respect to the taxable year.

Beyond a tax incentive, other approaches that could support conversion projects include capitalization grants to states for a revolving loan fund with subsidized financing focused on conversions.

3. Support commercial and export markets for low-embodied carbon construction materials.

America's building products manufacturers are thriving and represent a significant contribution to U.S. exports, buoyed in part by the U.S. commercial buildings sector as a critical source of demand. As global demand for low-embodied carbon materials is accelerating, U.S. manufacturers will benefit from policies that encourage investment and innovation in innovative wood products, windows, doors, insulation, HVAC, insulation, plumbing and glass, which are top exports, as well as materials for domestic buildings such as concrete and steel.

Key policies for the next Administration to support include:

- Continuing a strong federal role in defining low-embodied carbon construction materials and creating markets for them, including through Federal procurement and the U.S. Environmental Protection Agency's (EPA) labeling program;
- Continuing and expanding funding at EPA, GSA and elsewhere for improving the quality of Environmental Product Declarations (EPDs), providing technical assistance

--	--	--

and grants for building materials and product manufacturers, and strengthening the transparency and quality of data to enable more reliable and accurate product comparisons;

- Continuing the U.S.'s leading role in funding industrial demonstration projects to drive new jobs and innovative technologies in the cement and steel sectors;
- Expanding support for U.S. construction products manufacturers to measure emissions. In the context of trade regulations, U.S. companies will need to provide embodied emissions of industrial products, per approved methodologies. U.S. agencies and the National Laboratories can continue and expand assistance and help keep U.S. products competitive; and
- Fund a new report on the size, trends, and competitiveness of the export market for U.S. buildings services and products.

4. Engage with the U.S. financial and insurance sectors to support highly efficient and resilient commercial buildings.

Bringing efficiency retrofits and resiliency best practices to scale in commercial buildings across the United States requires consistent signals from and for banks and insurers. To help achieve this, Federal agencies can engage with the finance and insurance sectors to share actionable data and create alignment on opportunities and incentives for building owners. The next Administration should:

- Mobilize Federal agencies to provide clearer risk data on commercial buildings, given the changing climate and rapidly rising insurance costs. This can begin with establishing a task force and a website/portal with data on hazards, analogous to recent resources such as the [Federal Flood Standard Support Tool](#).
- Establish a Blue Ribbon commission with representatives from the finance, insurance, and commercial buildings sectors, along with Federal and civil society stakeholders, to develop additional means of creating opportunities to support commercial building efficiency and resilience, including incentivizing banks to invest in building efficiency, retrofits, and onsite renewable energy.
- Such efforts can inform and build support for other approaches for lenders and insurer such as potential standards of care and stress tests for climate-driven hazards.

--	--	--

5. Help building owners navigate indoor environmental quality.

The pandemic demonstrated the critical importance of indoor air quality to our economy. To help building owners prepare for future events, the federal government can play a larger role in providing technical guidance, best practices and other resources to building owners on how to improve their indoor environmental quality. This work could build on [existing federal initiatives](#) and also include recently introduced bipartisan legislation ([H.R. 9131](#)) that would provide funding at EPA to strengthen federal programs for improving indoor air quality.

6. Leverage Federal agencies to support better data and other solutions for commercial buildings.

- Fully fund the initiative at Department of Energy (DOE) Energy Information Administration (EIA) to increase the quantity and quality of data under the Commercial Building Energy Consumption Survey, as called for in the Bipartisan Infrastructure Law. This program serves as the core of the ENERGY STAR Portfolio Manager buildings energy management program and is critical in helping building owners track, compare and improve their energy performance.³
- Provide robust annual appropriations for EPA's ENERGY STAR program. The ENERGY STAR program is the foundation for countless energy efficiency programs across the country, from IRA tax incentives to utility incentive programs and local benchmarking programs. While ENERGY STAR is best known for the blue label on consumer products, its program for buildings performance, known as the ENERGY STAR Portfolio Manager program, is critical for tracking and improving the energy performance of our nation's commercial building stock. Robust funding of at least \$50 million annually will ensure the program keeps pace with evolving markets and technologies and can drive change in the commercial real estate sector.
- Create sustained annual funding to expand, enhance, and maintain the lifecycle data housed within the Federal [Life Cycle Assessment](#) Commons. The federal

³ Section 40413 of the Bipartisan Infrastructure Law requires EIA to expand data collection for CBECS but does not provide additional funding to do so.

--	--	--

agencies involved in supporting this interagency effort require ongoing support to build the repository that the construction sector needs to create transparent, robust, and reliable data.

- Expand federal initiatives supporting workforce development in the construction trades. Finding qualified workers is a persistent impediment in the buildings sector. The next administration can address this with targeted programs supporting hands-on training to the next generation of construction workers in the latest construction practices, with a focus on training people in frontline communities or communities experiencing economic transition.
- Provide robust appropriations for DOE’s Building Technology Office (BTO) to hire staff to award, manage, and collaborate on research solutions focused on the commercial sector. The commercial real estate industry would benefit from more targeted research solutions and their timely dissemination to maximize the reach and outcome of already funded Research & Development, which often lags due to staffing constraints at BTO.

Other sectors of America’s built environment, from multifamily housing and schools to state and Federal buildings, are also in need of new policies that support innovation, job creation, cost savings, resilience and future readiness. Our organizations work to advance policies on all of these issues, and will issue similar recommendations in those sectors. Moreover, with the exception of commercial-to-residential-conversion, the incentives outlined herein can be designed so they are broadly available and useful to various building types and to nonprofits, governments, and other entities that do not pay taxes yet are important participants in the economy.

About Us

- **About the [U.S. Green Building Council](#)**
The U.S. Green Building Council (USGBC) is a nonprofit organization dedicated to transforming the way buildings and communities are designed, built and operated, enabling an environmentally and socially responsible, healthy, and prosperous world. For over 30 years, we have pursued this vision through our flagship program Leadership in Energy & Environmental Design (LEED), a third-party green building certification system that verifies the achievement of best practices in sustainable building design,

--	--	--

construction, operations and maintenance, including lower impact materials. We also advance our vision through education, community, events and advocacy.

- **About [Carbon Leadership Forum](#)**

The Carbon Leadership Forum is a nonprofit dedicated to accelerating the transformation of the building sector to radically reduce the greenhouse gas emissions attributed to materials (also known as embodied carbon) used in buildings and infrastructure. We research, educate, and foster cross-collaboration to bring the embodied carbon of buildings and infrastructure down to zero.

- **About [Institute for Market Transformation](#)**

The Institute for Market Transformation (IMT) is a national 501(c)(3) nonprofit organization that envisions a world where buildings dramatically lower greenhouse gas emissions and support our physical, social, and economic well-being. We advance this vision through policies, programs, and business practices that scale better buildings in the United States. We are the foremost expert on building performance standards. We offer technical assistance and market research, alongside expertise in policy and program development and deployment and promotion of best practices and knowledge exchange. Our innovations have helped reduce carbon emissions and energy costs across billions of square feet of real estate in major U.S. cities; empowered landlords and tenants to overcome barriers to mutually-beneficial building improvements; and increased market demand for better buildings.

- **About [New Buildings Institute](#)**

New Buildings Institute (NBI) is a 501(c)(3) nonprofit organization that advances best practices, codes, and policies through market leadership, research, guidance, and technical advocacy toward a built environment that equitably delivers community benefits and climate solutions. Our efforts help keep energy costs affordable, cut emissions that are fueling climate change, and deliver improved health, safety, and resiliency for everyone. As technical advocates, convenors, and facilitators, we work collaboratively with industry market actors – governments, utilities, manufacturers, building professionals, climate and efficiency advocates, community-based organizations, and others to drive leading-edge strategies, innovative technologies, and best practices in policies and programs.

--	--	--

###

--	--	--