Webinar

Briefing on the US Inflation Reduction Act Implications for Real Estate and Climate

Date: September 28, 2022

00:00:07 --> 00:00:10:	All right. It's 201 Eastern Time, so one last time.
00:00:10 --> 00:00:14:	Welcome, Welcome, welcome. Thank you for joining us for this
00:00:14 --> 00:00:17:	UI webinar, a briefing on the US Inflation Reduction Act
00:00:18 --> 00:00:22:	and implications for real estate and climate. I'm your moderator,
00:00:22 --> 00:00:26:	Billy Grayson, executive vice president for senators and initiatives here
00:00:26 --> 00:00:30:	at the Urban Land Institute. Very excited for our panel
00:00:30 --> 00:00:30:	today.
00:00:31 --> 00:00:33:	As with all grade panel intros, I would like to
00:00:33 --> 00:00:35:	start with some housekeeping items.
00:00:36 --> 00:00:38:	Next slide, please.
00:00:39 --> 00:00:42:	All of you are in mute, so you cannot Heckle
00:00:42 --> 00:00:45:	us or shower us with accolades, but you can ask
00:00:45 --> 00:00:49:	us questions through the Q&A function in the zoom webinar.
00:00:49 --> 00:00:52:	Please ask questions early and often. I'm going to tee
00:00:52 --> 00:00:56:	up one question for each of the panelists, but I'm
00:00:56 --> 00:00:59:	hoping that we can cover as many questions as you
00:00:59 --> 00:01:03:	have about this big, sweeping, complex piece of legislation. So.
00:01:03 --> 00:01:07:	Please keep the questions coming, put them in the Q&A
00:01:07 --> 00:01:10:	function and then finally I would note that this webinar
00:01:10 --> 00:01:13:	is being recorded and we will be sharing it with
00:01:13 --> 00:01:17:	everyone who registered for the event and we'll also be
00:01:17 --> 00:01:21:	uploading this to utilize knowledge Finder platform. Your go to
00:01:21 --> 00:01:24:	resource for all the best knowledge from ULI and our
00:01:24 --> 00:01:28:	friends knowledge.uli.org also share two other resources in the chat.

00:01:29 --> 00:01:32: Once I turn this over to Dwayne, one is utilized.

00:01:32 --> 00:01:34: Done a ton of work on climate.

00:01:34 --> 00:01:38: Mitigation, decarbonization and a path to zero, including in partnership

00:01:38 --> 00:01:41: with our GREENPRINT members. We have a net 0 compendium

00:01:41 --> 00:01:44: and I will share that link. Also. Hopefully, when everybody

00:01:44 --> 00:01:48: was registering for this event, they got an extra special

00:01:48 --> 00:01:51: link from Dwayne and the real estate roundtable with a

00:01:51 --> 00:01:54: summary of the Inflation Reduction Act. So we'll also make

00:01:54 --> 00:01:58: sure that we're sharing that link with everybody who's joining

00:01:58 --> 00:02:01: this webinar as well as when we're finished with the

00:02:01 --> 00:02:01: webinar.

00:02:03 --> 00:02:06: So let me introduce our panelists. Joining us today for

00:02:06 --> 00:02:10: this webinar, we have Dwayne Desiderio, Senior Vice President and

00:02:10 --> 00:02:12: counsel at the Real Estate Roundtable.

00:02:13 --> 00:02:17: Danny Egan, managing director of real Estate, SG America's at

00:02:17 --> 00:02:17: Blackstone.

00:02:18 --> 00:02:23: Suzanne Fallender, vice President, Global SG Pro, Logis and Nick.

00:02:23 --> 00:02:23: Berger.

00:02:24 --> 00:02:28: Newly appointed, I believe, Deputy Director, Energy administration of the

00:02:28 --> 00:02:30: DC Department of Energy and Environment.

00:02:31 --> 00:02:35: So I'm looking forward to a broad, wide-ranging conversation from

00:02:35 --> 00:02:39: a number of different perspectives on what the Inflation Reduction

00:02:39 --> 00:02:41: Act is going to mean to real estate. But the

00:02:41 --> 00:02:44: best person to start off a conversation like this is

00:02:44 --> 00:02:48: a person who is spending more time thinking about this

00:02:48 --> 00:02:51: and working on this for the last six months than

00:02:51 --> 00:02:54: anybody I know. Dwayne Desiderio, Dwayne, can you kick us

00:02:54 --> 00:02:57: off, give us a high level overview of what's in

00:02:57 --> 00:03:00: the Inflation Reduction Act, why real estate should care.

00:03:01 --> 00:03:04: What this is going to mean for developers, investors, the

00:03:04 --> 00:03:04: public sector.

00:03:05 --> 00:03:09: Thank you, Billy. I appreciate the opportunity. And hello Uli

00:03:09 --> 00:03:14: Nation, esteemed panelists. Happy to kick off the conversation today.

00:03:14 --> 00:03:18: So you might hear me lapsing into calling this IRA

00:03:18 --> 00:03:19: as I have.

00:03:20 --> 00:03:25: Been been named the IRA, the Inflation Reduction Act. This
00:03:25 --> 00:03:29: bill was passed back in August by both the Senate
00:03:29 --> 00:03:33: and the House, signed by President Biden under a process
00:03:33 --> 00:03:38: known as reconciliation. So what that meant was all Democrats
00:03:38 --> 00:03:42: in Congress needed to hang together, in the Senate in
00:03:42 --> 00:03:48: particular to pass this particular measure with a simple majority.
00:03:48 --> 00:03:49: And lo and behold.
00:03:50 --> 00:03:54: It was achieved. It's been billed as the largest federal
00:03:54 --> 00:03:59: expenditure to address the climate crisis in history, in particular
00:03:59 --> 00:04:03: around $370 billion from the federal government. That takes a,
00:04:03 --> 00:04:07: a carrots, not sticks approach to deal with the the
00:04:07 --> 00:04:11: climate crisis. And what we're going to focus on today
00:04:11 --> 00:04:15: are I, I believe you know, the tax incentives, the
00:04:15 --> 00:04:19: deductions and the credits that are geared to encourage the
00:04:19 --> 00:04:20: private sector.
00:04:21 --> 00:04:24: Building owners in particular that we'll talk about today to
00:04:24 --> 00:04:28: encourage them to deploy more clean energy and energy efficiency
00:04:28 --> 00:04:29: projects in their buildings.
00:04:31 --> 00:04:34: The the Act passes about 18 different tax credits or
00:04:34 --> 00:04:39: deductions. There are four that I would would suggest warrant
00:04:39 --> 00:04:42: most of our industry's focus. And I'll just tick those
00:04:42 --> 00:04:46: off real quickly. And I know over the course of
00:04:46 --> 00:04:51: the conversation, we'll be getting into these particular incentives a
00:04:51 --> 00:04:54: little bit more closely. So the first incentive is known
00:04:55 --> 00:04:58: as the 179 D tax deduction. I'd notice a deduction,
00:04:58 --> 00:05:01: not a credit. We can get into the conversation.
00:05:01 --> 00:05:05: A little bit more on what that means, but there
00:05:05 --> 00:05:09: have been significant changes to the 179 D tax deduction,
00:05:09 --> 00:05:12: which has been in the tax code since 2005. Not
00:05:12 --> 00:05:16: so much used by private sector owners, but some significant
00:05:16 --> 00:05:20: changes to the structure of 179 D that are particularly
00:05:20 --> 00:05:25: geared to encourage existing building retrofit projects also encourages new
00:05:25 --> 00:05:30: construction to be more energy efficient beyond code standards. Here
00:05:30 --> 00:05:32: I'm referring to the ash.
00:05:32 --> 00:05:36: 90.1 standard for energy efficient commercial and larger

multifamily buildings,
00:05:36 --> 00:05:39: but this is the first incentive that I think needs
00:05:39 --> 00:05:42: to be on folks behind the 179 D tax deduction.
00:05:44 --> 00:05:47: The second incentive that we'll be getting into is the
00:05:47 --> 00:05:51: Section 48 investment tax credit and this is a credit.
00:05:51 --> 00:05:55: It is geared to encourage deployment of clean energy and
00:05:55 --> 00:06:00: renewable energy projects at facilities, which would include buildings. And
00:06:00 --> 00:06:04: what we're talking about here are things like solar panels,
00:06:04 --> 00:06:08: combined heat and power Systems, IRA adds to the list
00:06:08 --> 00:06:13: of investment tax credit technologies, energy storage, dynamic glass, so
00:06:13 --> 00:06:14: we're seeing.
00:06:14 --> 00:06:18: Interest in our Members exploring how the Section 48 investment
00:06:18 --> 00:06:22: tax credit might encourage some of these clean energy net
00:06:22 --> 00:06:26: zero energy projects and buildings. So that's #2 if you're
00:06:26 --> 00:06:27: keeping your list.
00:06:28 --> 00:06:31: The third incentive to focus on is the 30C tax
00:06:31 --> 00:06:37: credit that encourages the installation of electric vehicle recharging stations.
00:06:37 --> 00:06:41: One thing to note here is that as the program
00:06:41 --> 00:06:45: as the this particular provision was was evolving from Bill
00:06:46 --> 00:06:50: to ultimate legislation. The EV charging station tax credit only
00:06:50 --> 00:06:55: applies to buildings or projects that are located in low
00:06:55 --> 00:06:57: income areas, so if members have.
00:06:58 --> 00:07:02: Projects and opportunity zones. For example, they might be able
00:07:02 --> 00:07:05: to tap into the EV refueling station tax credit. That's
00:07:05 --> 00:07:06: #3.
00:07:06 --> 00:07:09: The 4th incentive would be the 45 L tax credit
00:07:09 --> 00:07:16: geared toward energy efficient residential new construction and significant rehabilitation.
00:07:16 --> 00:07:19: And here the incentive for 45 L can apply to
00:07:19 --> 00:07:23: both single family as well as multifamily incentives. What I
00:07:23 --> 00:07:26: think is cool about these four that I've listed so
00:07:26 --> 00:07:29: far is that they can be layered so you can
00:07:29 --> 00:07:32: hit the jackpot and if you have a particular larger
00:07:32 --> 00:07:37: multifamily building that might need a retrofit because of some.
00:07:37 --> 00:07:41: External reason like a state or local building performance mandate.
00:07:41 --> 00:07:45: And in that multifamily project one might be considering the
00:07:45 --> 00:07:49: installation of solar panels as well as EV refueling stations.

00:07:49 --> 00:07:52: You might be able to qualify for all of these
00:07:52 --> 00:07:56: things, so it's interesting how these incentives can be layered
00:07:56 --> 00:07:59: upon each other. This such a project might get both
00:07:59 --> 00:08:02: the 45 L tax credit for multifamily. If it improves
00:08:02 --> 00:08:07: a building buildings energy efficiency beyond code standards, it might
00:08:07 --> 00:08:08: also qualify for 179.
00:08:09 --> 00:08:12: And if you're installing solar panels, look at section 48
00:08:12 --> 00:08:16: investment tax credit. And if you're installing EV charging stations,
00:08:16 --> 00:08:18: you might also want to look at 30CC's. So I
00:08:18 --> 00:08:22: think that's an interesting element to bring out today, the
00:08:22 --> 00:08:24: synergy of how all of these might operate in a
00:08:24 --> 00:08:28: particular project. Those four are the particular tax incentives that
00:08:28 --> 00:08:31: I think are speaking most to the commercial real estate
00:08:31 --> 00:08:35: sector, two other points that I think warrant bringing out
00:08:35 --> 00:08:35: here.
00:08:36 --> 00:08:41: One deals with the connection between labor provisions and tax
00:08:41 --> 00:08:44: incentives. So one of the things that we've seen in
00:08:44 --> 00:08:48: this new law is a synergy and a marriage between
00:08:48 --> 00:08:51: tax policy and labor policy to the extent that we
00:08:51 --> 00:08:54: really haven't seen too much before.
00:08:55 --> 00:08:58: How these incentives generally operate is at a base rate
00:08:58 --> 00:08:59: and at a bonus rate.
00:09:00 --> 00:09:03: And it prevailing wages are paid to workers on a
00:09:03 --> 00:09:06: project. So these wages are at a local level, but
00:09:06 --> 00:09:10: they're determined by surveys, and these are all published on
00:09:10 --> 00:09:14: the Department of Labor's website. If prevailing wages are paid
00:09:14 --> 00:09:17: to workers on a project, the incentive amounts for those
00:09:17 --> 00:09:21: four incentives that I that I mentioned, plus up, they
00:09:21 --> 00:09:24: multiply by 5. So if you don't pay prevailing wages
00:09:24 --> 00:09:27: to a worker on the project, you're paid a base
00:09:27 --> 00:09:30: rate. But if you pay prevailing wages to a worker
00:09:30 --> 00:09:31: on a project.
00:09:31 --> 00:09:34: Multiply that times 5. So, for example, just seizing upon
00:09:34 --> 00:09:38: this section 48 tax credit for solar panels, a base
00:09:38 --> 00:09:40: rate there could be 6% of the cost of the
00:09:40 --> 00:09:44: project to install those solar panels on site it prevailing
00:09:44 --> 00:09:48: wages are paid to construction workers involved in that project.

00:09:48 --> 00:09:51: You multiply that by 5, the amount of the tax

00:09:51 --> 00:09:54: credit can be up to 30%. So keep that in

00:09:54 --> 00:09:57: mind for how all these might interact. And I also

00:09:57 --> 00:10:01: think a particularly interesting element here is the monetization.

00:10:01 --> 00:10:04: Of some of these incentives for reasons that I'm sure

00:10:04 --> 00:10:07: that we'll get into, it might be that particular owners

00:10:07 --> 00:10:10: of real estate don't have the tax appetite, they don't

00:10:10 --> 00:10:13: have the income that where they can take advantage of

00:10:13 --> 00:10:15: tax credits or tax deductions reach, for example.

00:10:16 --> 00:10:19: Some of these credits can be transferred to non related

00:10:19 --> 00:10:23: third parties. So if a read is installing solar panels

00:10:23 --> 00:10:26: on a building or putting in EV charging stations, because

00:10:26 --> 00:10:30: of certain restrictions on the readers of structure, if that

00:10:30 --> 00:10:33: read can't take advantage of these tax credits, it might

00:10:33 --> 00:10:36: be able to transfer the amount of these tax credits

00:10:36 --> 00:10:39: to say a contractor, a non related third party that

00:10:39 --> 00:10:43: can take the financial advantage of these credits. I believe

00:10:43 --> 00:10:45: as a result we're going to see a market that

00:10:45 --> 00:10:46: starts developed.

00:10:46 --> 00:10:50: And how these incentives can be monetized and and allocated

00:10:50 --> 00:10:53: and transferred to different entities. So I hope that provides

00:10:53 --> 00:10:56: a quick overview of Billy and I look forward to

00:10:56 --> 00:10:59: getting into more details with the rest of the crew

00:10:59 --> 00:10:59: here.

00:11:01 --> 00:11:03: That was lovely, Dwayne. I feel like if I owned

00:11:04 --> 00:11:07: a multifamily building, I would be getting very, very excited

00:11:07 --> 00:11:10: right now. But it's also great to hear about the

00:11:10 --> 00:11:13: renewable energy opportunities and and vehicle electrification.

00:11:14 --> 00:11:16: I I'd like to turn it over to Nick now,

00:11:16 --> 00:11:19: a chance to hear from the public sector about the

00:11:19 --> 00:11:22: implications of the Inflation Reduction Act. Nick, working at a

00:11:22 --> 00:11:25: city, how do you think that this is going to

00:11:25 --> 00:11:28: affect your ability to execute your climate action plan? Are

00:11:28 --> 00:11:31: there opportunities in here directly for cities or are you

00:11:31 --> 00:11:34: excited about the private sector opportunities?

00:11:34 --> 00:11:37: Yeah. Thanks a lot, Billy, and thanks for having me

00:11:37 --> 00:11:40: here. I've been in this position for one month and

00:11:40 --> 00:11:43: three days. So I've, I've got it all covered. We

00:11:43 --> 00:11:46: got it all down, all the details, we'll get your

00:11:46 --> 00:11:47: questions answered.

00:11:48 --> 00:11:51: Anyway, let me talk a little bit about our briefly
00:11:51 --> 00:11:54: about our our climate energy goals as the district and
00:11:54 --> 00:11:57: some related challenges and opportunities and then and then come
00:11:57 --> 00:12:00: to the substance, which is the role of federal support.
00:12:00 --> 00:12:03: So a lot of this is probably kind of old
00:12:03 --> 00:12:05: news to everyone. But to remind us, we have our
00:12:05 --> 00:12:08: clean energy DC and our climate commitment acts in the
00:12:08 --> 00:12:12: district that commits us to reducing greenhouse gas emissions by
00:12:12 --> 00:12:14: 60% by 2030 and to become carbon neutral as a
00:12:14 --> 00:12:17: city by 2045. Those goals were recently pulled forward, made
00:12:17 --> 00:12:18: more ambitious.
00:12:18 --> 00:12:20: There's a lot of work to do and we need
00:12:20 --> 00:12:20: to work quickly.
00:12:21 --> 00:12:24: We know that our buildings are responsible for over 70%
00:12:24 --> 00:12:27: of our carbon emissions in the district and large commercial
00:12:27 --> 00:12:30: and residential buildings are sort of the largest contributors by
00:12:30 --> 00:12:32: by quite a big margin. So this is, this is
00:12:32 --> 00:12:34: the right group to be thinking about how we meet
00:12:35 --> 00:12:36: those climate goals.
00:12:36 --> 00:12:38: We have a lot of tools in place from a
00:12:38 --> 00:12:42: policy perspective for meeting these climate goals for dramatically reducing
00:12:42 --> 00:12:46: our building energy emissions. Things like our building energy performance
00:12:46 --> 00:12:50: standards, which Dwayne already kind of mentioned, our net zero
00:12:50 --> 00:12:54: energy code, which are coming online, focus on electrification. And
00:12:54 --> 00:12:56: then we have programs like solar for all, which we
00:12:56 --> 00:12:59: look to, to help make sure that this energy transition
00:12:59 --> 00:13:02: is as equitable as possible. So that's kind of where
00:13:02 --> 00:13:05: we're trying to get. We're also as we think about
00:13:05 --> 00:13:06: the energy transition.
00:13:06 --> 00:13:09: And what federal support can do, we want to think
00:13:09 --> 00:13:12: about kind of related challenges that that may also be,
00:13:12 --> 00:13:14: I think our opportunities. So as we know that pandemic
00:13:15 --> 00:13:18: really expanded opportunities for telework and the district now has
00:13:18 --> 00:13:21: one of the highest rates of telework in the country.
00:13:21 --> 00:13:24: So that creates some challenges and it means that our

00:13:24 --> 00:13:26: downtown areas don't look and feel the same way that
00:13:26 --> 00:13:29: they maybe did a few years ago. But again, I
00:13:29 --> 00:13:32: think this is also an opportunity. So as we're asking
00:13:32 --> 00:13:35: ourselves, as probably many of you are asking ourselves, kind
00:13:35 --> 00:13:36: of how do we revitalize.
00:13:36 --> 00:13:39: These spaces how do we repurpose our buildings? We want
00:13:39 --> 00:13:42: to think about how we can achieve those goals and
00:13:42 --> 00:13:46: bring in our energy efficiency and climate goals together. So,
00:13:46 --> 00:13:49: so director wells often talks about the critical role of
00:13:49 --> 00:13:53: the private sector generally and helping solve our climate challenge.
00:13:53 --> 00:13:56: And in this case, that means looking to our our
00:13:56 --> 00:13:59: building owners to lead, to lead with creative approaches to
00:13:59 --> 00:14:03: reimagining our downtown and then again in the process of
00:14:03 --> 00:14:06: achieving substantial energy efficiency gains, so to come to the
00:14:06 --> 00:14:07: federal support.
00:14:07 --> 00:14:10: We're looking at a few things. We really think that
00:14:10 --> 00:14:14: the federal funding and the IRA in particular is going
00:14:14 --> 00:14:17: to have a significant role in in supporting the district
00:14:17 --> 00:14:20: and and helping us achieve our ambitious goals. Looking a
00:14:20 --> 00:14:24: little bit back, we created the affordable Housing Retrofit Accelerator
00:14:24 --> 00:14:28: for the BEPS program and this brings $70 million roughly
00:14:28 --> 00:14:31: in ARPA funding over multiple years to help affordable housing
00:14:31 --> 00:14:34: owners comply with best. There's a lot we could go
00:14:34 --> 00:14:37: into in detail there. It's a really critical program.
00:14:38 --> 00:14:41: I think a really necessary program. There are also opportunities
00:14:41 --> 00:14:44: through the bipartisan infrastructure law. Some of these are still
00:14:44 --> 00:14:47: coming into focus, but we know we're going to get
00:14:47 --> 00:14:51: support for energy storage demonstration projects that could have applications
00:14:51 --> 00:14:55: to our our larger commercial and multifamily buildings. We're also
00:14:55 --> 00:14:59: designing and implementing new energy efficiency, energy efficiency codes and
00:14:59 --> 00:15:02: we're going to get support through BIL for that. So
00:15:02 --> 00:15:04: as we look at the IRA, I think a few
00:15:04 --> 00:15:06: things to emphasize. I don't want to, I don't want
00:15:06 --> 00:15:08: to restate what Duane talked about.

00:15:08 --> 00:15:12: The renewable energy tax credits that Dwayne mentioned are are

00:15:12 --> 00:15:16: important. We're looking to those to meet our solar goals

00:15:16 --> 00:15:19: for the district and how we produce solar energy in

00:15:19 --> 00:15:22: the district itself. And we're also looking to those tax

00:15:22 --> 00:15:26: incentives to help expand access to solar benefits for households

00:15:27 --> 00:15:31: that might not otherwise have access, for instance, households in

00:15:31 --> 00:15:35: multifamily buildings. So that's a piece that we've already talked

00:15:35 --> 00:15:38: about a little bit. We're also looking at grants from

00:15:38 --> 00:15:38: DOE.

00:15:38 --> 00:15:41: Or totaling up to a billion dollars across the country

00:15:41 --> 00:15:45: to support that code development process that we've been talking

00:15:45 --> 00:15:47: about, or I've been talking about a little bit. You're

00:15:47 --> 00:15:50: going to see changes coming to our codes soon, and

00:15:50 --> 00:15:53: we're going to see some pretty aggressive changes to the

00:15:53 --> 00:15:55: codes as we get closer to the 2026 time frame.

00:15:55 --> 00:15:58: So as we build new buildings, we're going to have

00:15:58 --> 00:16:01: to build them better. We need to build them better,

00:16:01 --> 00:16:03: and there's going to be some support to try to

00:16:03 --> 00:16:06: make that code advancement process work for everyone.

00:16:07 --> 00:16:10: Uh, probably one of the biggest things in the bill

00:16:10 --> 00:16:13: that that I think could be really beneficial for building

00:16:13 --> 00:16:16: owners and land owners is the greenhouse Gas Reduction Fund.

00:16:16 --> 00:16:18: So this is up to $27 billion that will be

00:16:18 --> 00:16:22: deployed through a couple of different mechanisms. We're not entirely

00:16:22 --> 00:16:24: sure how this is going to work. Some of it

00:16:24 --> 00:16:26: will come through green banks either at a kind of

00:16:26 --> 00:16:30: federal, regional level, but potentially also at our district level.

00:16:30 --> 00:16:32: So we have the DC, Green Bank and the district.

00:16:33 --> 00:16:36: We're working with them to make sure that they access

00:16:36 --> 00:16:40: these federal Green bank funds where where applicable and where

00:16:40 --> 00:16:43: available. We have some additional support for affordable housing and

00:16:43 --> 00:16:47: government buildings. I'm not sure how relevant that is to

00:16:47 --> 00:16:49: this group, but that's one of the ways that we're

00:16:49 --> 00:16:52: looking to meet the district schools because we have to

00:16:52 --> 00:16:55: think about all of our buildings. And then I guess

00:16:55 --> 00:16:57: I'll kind of close by saying we have a lot
00:16:57 --> 00:17:00: more to learn. So while there's a tremendous amount of
00:17:00 --> 00:17:03: detail in the IRA, there's still some questions that we
00:17:03 --> 00:17:04: have.
00:17:04 --> 00:17:07: That we want to learn more about and then hopefully
00:17:07 --> 00:17:10: share with stakeholders like you all. For example, the, the
00:17:10 --> 00:17:14: rebates that are available for appliances and upgrades are largely
00:17:14 --> 00:17:17: targeted at individual households. But there may be ways to
00:17:17 --> 00:17:20: take advantage of those rebates at a building scale if
00:17:20 --> 00:17:24: you're building meets certain affordable housing criteria. So that may
00:17:24 --> 00:17:28: be something that a building owner could take account and
00:17:28 --> 00:17:32: take into account as they're thinking about whole building upgrades
00:17:32 --> 00:17:35: and then while we're waiting for further EPA guidance on
00:17:35 --> 00:17:35: that.
00:17:35 --> 00:17:38: 47 billion have kind of Green Bank focused funds. We
00:17:38 --> 00:17:41: do encourage building owners to reach out to the DC
00:17:41 --> 00:17:43: Green Bank to talk about kind of your needs, how
00:17:44 --> 00:17:47: you're thinking about your buildings, your upgrades and then in
00:17:47 --> 00:17:49: the coming years and how the DC Green Bay can
00:17:49 --> 00:17:54: support energy efficiency investments. Because we already have substantial funding
00:17:54 --> 00:17:58: available through the DC Green Bank specifically to help buildings
00:17:58 --> 00:18:01: achieve these energy efficiency goals. So thanks, Julie.
00:18:02 --> 00:18:06: Thanks, nick. I'm furiously trying to build a list here.
00:18:06 --> 00:18:10: I heard aggregating appliance rebates, a deeper dive into capital
00:18:10 --> 00:18:15: A affordable housing, changes in real estate, renewable energy tax
00:18:15 --> 00:18:20: credit versus rebates, renewable energy ownership access and multifamily public
00:18:20 --> 00:18:25: sector support funding for code, advancing new construction greenhouse gas
00:18:25 --> 00:18:29: reduction funds and how that will translate into green banks
00:18:29 --> 00:18:32: and revolving loan funds, that's like.
00:18:32 --> 00:18:35: That's a list, so I would encourage folks who are
00:18:35 --> 00:18:38: listening to vote for the deep dives with the chat.
00:18:39 --> 00:18:42: Now I'd like to turn it over to Suzanne. Suzanne,
00:18:42 --> 00:18:45: how is this going to affect a global industrial company
00:18:45 --> 00:18:46: like Pelagus?

00:18:47 --> 00:18:50: Great. Now thanks Billy and and very happy to be
00:18:50 --> 00:18:53: with you all here today for the discussion and thanks
00:18:53 --> 00:18:56: Dwayne, Nick for your opening comments a lot. I'll try
00:18:57 --> 00:18:59: not to repeat a lot of the pieces, but I
00:18:59 --> 00:19:02: think it is very all connected and relevant. So maybe
00:19:02 --> 00:19:05: for those of you who aren't as familiar with Pelagius,
00:19:05 --> 00:19:09: we've had a very long history of sustainability from green
00:19:09 --> 00:19:13: building design to solar to building certifications and we are
00:19:13 --> 00:19:16: the global leader in logistics real estate and what that
00:19:16 --> 00:19:17: means is we.
00:19:17 --> 00:19:22: Develop and lease and operate warehouses and distribution centers in
00:19:22 --> 00:19:26: 19 countries around the world for 5800 customers, including more
00:19:26 --> 00:19:29: than half of our buildings being in the US and
00:19:29 --> 00:19:32: we have 1 billion square feet of space. And So
00:19:33 --> 00:19:36: what we think about with that 1 billion square square
00:19:36 --> 00:19:39: feet of space is really that context, that 15% of
00:19:40 --> 00:19:43: global goods consumption or about 2.5% of the global GDP
00:19:43 --> 00:19:47: runs through our network in a given year. And so
00:19:47 --> 00:19:48: we think of that.
00:19:48 --> 00:19:51: From our responsibility perspective of how do we think about
00:19:51 --> 00:19:55: reducing emissions or think about that built environment and and
00:19:55 --> 00:19:57: what we can do for innovation there. But we also
00:19:58 --> 00:20:01: are seeing an increasing opportunity to really differentiate by helping
00:20:01 --> 00:20:05: our customers on their decarbonization goals and their climate goals.
00:20:06 --> 00:20:08: And so one of the things we've done in the
00:20:09 --> 00:20:12: last few months here is to actually up our ambition
00:20:12 --> 00:20:15: and really provide more of that focus on our customers
00:20:15 --> 00:20:18: through our new net zero commitment. So Bill was talking
00:20:18 --> 00:20:21: at the beginning about the net zero resource that UI
00:20:22 --> 00:20:24: has. And so we've been really working with a lot
00:20:24 --> 00:20:28: of our customers and with others in the industry and
00:20:28 --> 00:20:30: outside groups to look at how to get to that
00:20:30 --> 00:20:33: net 0 ambition. And our ambition is to get to
00:20:33 --> 00:20:36: net zero for our own operations and our full value.
00:20:36 --> 00:20:40: Chain by 2040. And one of the key interim targets
00:20:40 --> 00:20:43: for that was rolled into our discussion today is to
00:20:43 --> 00:20:47: expand our solar investment. So right now we have about
00:20:47 --> 00:20:51: 340 megawatts of solar installed. We're going to increase

that
00:20:51 --> 00:20:55: pretty quickly here to one GW of solar across our
00:20:55 --> 00:20:58: portfolio by 2025 and keep going from there. And so
00:20:58 --> 00:21:02: as we're thinking about this and we think about the
00:21:02 --> 00:21:06: other things we can do, the other key opportunity we're
00:21:06 --> 00:21:07: relevant to the IRA.
00:21:07 --> 00:21:10: Is electrification of vehicles. We've been having more and more
00:21:11 --> 00:21:14: conversations with our customers. If you think about where's a
00:21:14 --> 00:21:17: real logical place for them to charge their electric trucks
00:21:17 --> 00:21:21: as they're thinking about electrifying their fleets, it's really when
00:21:21 --> 00:21:24: they don't have to change their routes and when they
00:21:24 --> 00:21:27: can take advantage of the dwell time when they're at
00:21:27 --> 00:21:30: our facilities. So those conversations and the timing of those
00:21:30 --> 00:21:34: conversations that we're seeing with our customers really increasing their
00:21:34 --> 00:21:37: interest and looking to us for help in both how
00:21:37 --> 00:21:37: do they have.
00:21:37 --> 00:21:41: Greener buildings for their their own supply chain, how do
00:21:41 --> 00:21:44: they look at their fleets? When we think about the
00:21:44 --> 00:21:48: pieces of the IRA, it's about that incentivizing of more
00:21:48 --> 00:21:52: scaling that the solar and renewable energy capacity. It's about
00:21:52 --> 00:21:56: EV infrastructure and also a lot of our facilities are
00:21:56 --> 00:21:59: also located in our ports. So there's impacts in the
00:21:59 --> 00:22:03: IRA related to reducing emissions around ports as well and
00:22:03 --> 00:22:06: and different incentives there. So I can get into some
00:22:06 --> 00:22:08: more of the details.
00:22:08 --> 00:22:10: As we go, but I think just like as Dwayne
00:22:10 --> 00:22:13: and Nick said, we see this is really a good
00:22:13 --> 00:22:16: timing with all the other work we're trying to do
00:22:16 --> 00:22:18: on our net zero goal with all the other local
00:22:18 --> 00:22:22: regulations that we are mapping and taking action on to
00:22:22 --> 00:22:25: both how we build our new buildings and how we
00:22:25 --> 00:22:28: can innovate in that process and put new requirements in
00:22:28 --> 00:22:31: and scale those across the portfolio. And then also how
00:22:31 --> 00:22:34: do we think about things like retrofits as was also
00:22:35 --> 00:22:37: discussed and how do we do that in a way
00:22:37 --> 00:22:38: that really.
00:22:38 --> 00:22:41: You know, helps help reduce tenant energy use, but also
00:22:41 --> 00:22:44: kind of looks at that broader renewable energy piece.

00:22:46 --> 00:22:50: Thanks Suzanne. Alright, so another vote for deep dive into
00:22:50 --> 00:22:54: renewable energy and what the implications are under IR. A
00:22:54 --> 00:22:59: really interesting to hear about making electrification more cost effective
00:22:59 --> 00:23:03: and also a discussion and new construction versus retrofits.
00:23:04 --> 00:23:06: Dan, let me turn it over to you. Could you
00:23:06 --> 00:23:09: share a little bit about how Blackstone is looking at
00:23:09 --> 00:23:13: this? You guys have a extremely diversified portfolio, so I'm
00:23:13 --> 00:23:16: guessing that there must be some opportunities somewhere in that
00:23:16 --> 00:23:17: portfolio.
00:23:18 --> 00:23:22: Indeed. Thanks Billy. Thanks for having me and it's it's
00:23:22 --> 00:23:25: great to share the webinar here with with these esteemed
00:23:25 --> 00:23:29: colleagues. So just to to level set for the audiences
00:23:29 --> 00:23:33: benefit, you know Blackstone is a global investment business. Our
00:23:33 --> 00:23:37: real estate, our global real estate portfolio is worth about
00:23:37 --> 00:23:42: $577 billion spread across opportunistic core plus debt investment strategies
00:23:42 --> 00:23:45: and funds my role as head of ESG for America's
00:23:45 --> 00:23:48: real estate which is largely run through BLACKSTONES.
00:23:48 --> 00:23:52: Real estate portfolio companies, so they're concentrated around asset types,
00:23:53 --> 00:23:55: logistics being one of them. So I, you know I
00:23:55 --> 00:23:58: heard a lot of similar themes coming from Suzanne that
00:23:58 --> 00:24:02: we're thinking about as well. But it outside of that,
00:24:02 --> 00:24:05: some of our large scale sort of recognizable assets just
00:24:05 --> 00:24:08: to give everyone a sense of our diversity includes Styvesant
00:24:09 --> 00:24:12: Town, Peter Cooper Village here in New York City, the
00:24:12 --> 00:24:15: Willis Tower formerly known as the Sears Tower in Chicago,
00:24:15 --> 00:24:18: the Hotel del Coronado outside San Diego and so.
00:24:18 --> 00:24:22: ESG at Blackstones, a firm wide priority driven by leadership
00:24:22 --> 00:24:25: specific to our environmental programs. Across the firm we have
00:24:25 --> 00:24:29: a 15% emissions reduction goal that's to be achieved within
00:24:29 --> 00:24:32: the first three years of investment where we're in control
00:24:32 --> 00:24:35: of the energy usage. So for real estate, this means
00:24:35 --> 00:24:39: we're seeking out these opportunities to decarbonize from day one
00:24:39 --> 00:24:43: of our ownership or sooner. But our approach to decarbonization
00:24:43 --> 00:24:45: ranges from a lot of the tried and true, you
00:24:45 --> 00:24:48: know, energy conservation measures and retrofits.
00:24:49 --> 00:24:54: Definitely on site renewable energy generation development

then more innovative

00:24:54 --> 00:24:58: you know energy procurement strategy and and new technologies. So

00:24:58 --> 00:25:00: you know when we think about the IRA and I,

00:25:00 --> 00:25:03: I love referring to it as IRA as as Dwayne

00:25:03 --> 00:25:06: mentioned I think that you know what we're seeing is

00:25:06 --> 00:25:10: the potential to really elevate the role that private sector

00:25:10 --> 00:25:14: real estate can play in decarbonization and energy transformation. You

00:25:14 --> 00:25:18: know I like the earlier comments you know certainly commercial

00:25:18 --> 00:25:19: real estate bears.

00:25:19 --> 00:25:22: A large portion of emissions coming out of cities. So

00:25:22 --> 00:25:26: in addition to you know, reducing energy, reducing emissions, I

00:25:26 --> 00:25:30: think that real estate can play a more meaningful role

00:25:30 --> 00:25:34: for distributed generation, dispatchable energy assets, you know, certainly on

00:25:35 --> 00:25:38: site solar production and energy storage and then also make

00:25:38 --> 00:25:42: real estate a more reliable partner for demand response. So

00:25:42 --> 00:25:46: if the IRA delivers on these potential programs that Dwayne

00:25:46 --> 00:25:49: really astutely laid out for the audience, I think the

00:25:49 --> 00:25:50: economics.

00:25:50 --> 00:25:53: And obviously the business case for all these solutions will

00:25:53 --> 00:25:57: continue to improve and should these you know, opportunities present

00:25:57 --> 00:26:00: themselves as something Blackstone can benefit from, you know our

00:26:00 --> 00:26:04: existing approach to decarbonization, certainly all the great work we

00:26:04 --> 00:26:07: have underway you know lays out many, many different projects

00:26:07 --> 00:26:10: you know, across the country for consideration.

00:26:13 --> 00:26:14: Thank you, Dan.

00:26:15 --> 00:26:18: Questions are pouring in. So I actually am thinking I

00:26:18 --> 00:26:21: might go directly to questions and this might be a

00:26:22 --> 00:26:23: question for Dan and Dwayne.

00:26:25 --> 00:26:27: One of the one of the folks in the chat

00:26:27 --> 00:26:31: asked about office where, where are the commercial office incentives

00:26:31 --> 00:26:34: here. So Dwayne and Dan, could you share a little

00:26:34 --> 00:26:38: bit about the office strategy and especially Dwayne, which of

00:26:38 --> 00:26:41: these incentives that you discussed do you think would be

00:26:41 --> 00:26:43: applicable for commercial office?

00:26:43 --> 00:26:46: Yeah, sure. Do you want me to dive in, Dan?
00:26:46 --> 00:26:48: And then Dan and I are used to tag teaming
00:26:48 --> 00:26:49: these kinds of questions.
00:26:51 --> 00:26:54: The main incentive that is in the tax code for
00:26:54 --> 00:26:58: Commercial office buildings is the 179 D tax deduction that
00:26:58 --> 00:27:02: I mentioned. So this is the incentive that is geared
00:27:02 --> 00:27:06: to make new commercial construction more energy efficient and now
00:27:07 --> 00:27:10: also under IRA it provides a new retrofit path that
00:27:10 --> 00:27:15: is particularly geared to make commercial building any, any commercial
00:27:15 --> 00:27:19: structure more energy efficient if you retrofit it, if you
00:27:19 --> 00:27:21: reduce so-called site energy.
00:27:21 --> 00:27:25: Message intensity. You put together a retrofit plan. If you
00:27:25 --> 00:27:28: reduce your site energy usage intensity by at least 25%,
00:27:28 --> 00:27:31: you can then qualify for this tax deduction. And the
00:27:31 --> 00:27:35: higher your efficiency gains, the more tax deduction the taxpayer,
00:27:35 --> 00:27:38: the building owner might be able to avail themselves to.
00:27:38 --> 00:27:42: All of the incentives that I mentioned are available for
00:27:42 --> 00:27:46: office buildings. They're available for commercial office buildings, except to
00:27:46 --> 00:27:50: the extent that we are categorizing larger multifamily buildings as
00:27:50 --> 00:27:52: commercial, which I would.
00:27:52 --> 00:27:57: Because large multifamily buildings generate revenue, they pay rent. That
00:27:57 --> 00:28:01: 45 L tax credit that I mentioned is specifically geared
00:28:01 --> 00:28:07: toward residential construction, but that includes multifamily buildings. Larger multifamily
00:28:07 --> 00:28:11: buildings of four stories or more can avail themselves if
00:28:11 --> 00:28:14: they qualify and meet the standards of 179 D.
00:28:14 --> 00:28:18: And if those incentives are going to an an office
00:28:18 --> 00:28:22: building, a multifamily building and a distressed or area, if
00:28:22 --> 00:28:26: that's the location of the project, that office building can
00:28:26 --> 00:28:29: qualify for 30C tax credit for EV recharging stations. And
00:28:29 --> 00:28:33: that office building could also qualify for the investment tax
00:28:33 --> 00:28:38: credit if technologies such as solar panel installation, energy storage,
00:28:38 --> 00:28:42: dynamic glass or involved for that commercial structure. So all
00:28:42 --> 00:28:45: of these 4 incentives in particular.
00:28:45 --> 00:28:49: Can potentially apply to commercial structures. Office would be three

00:28:49 --> 00:28:52: of the four. Office couldn't avail itself to 45 L
00:28:52 --> 00:28:56: because that's geared toward residential construction.
00:29:01 --> 00:29:03: Then I think Dwayne nailed it. You got anything else?
00:29:04 --> 00:29:07: Nothing to add there. I mean, I think you know
00:29:07 --> 00:29:11: in an earlier conversation Dwayne had described, you know, trifecta
00:29:11 --> 00:29:14: superfecta of you know, how many of the four you
00:29:14 --> 00:29:17: can hit and I think office has plenty of opportunities
00:29:17 --> 00:29:20: in those first three. And I also think you know
00:29:20 --> 00:29:23: the the, the type of work that these three programs
00:29:23 --> 00:29:27: are intended to incentivize are are not wildly different from
00:29:27 --> 00:29:29: what ought to be contemplated.
00:29:29 --> 00:29:32: You know, during normal business. So again, I think that
00:29:32 --> 00:29:35: it's exciting to see that, you know, laws like this
00:29:35 --> 00:29:38: can facilitate broader adoption of a lot of these programs
00:29:38 --> 00:29:41: and solutions. But I think, you know, a good real
00:29:41 --> 00:29:45: estate owner is already contemplating a lot of these ideas
00:29:45 --> 00:29:46: for their real estate.
00:29:48 --> 00:29:51: Great. A quick follow up for Dwayne and possibly Nick.
00:29:53 --> 00:29:56: We've talked about the additive value of some of these
00:29:56 --> 00:29:59: credits. Do we think that like city credits and utility
00:30:00 --> 00:30:03: credits will still exist and be additive to these federal
00:30:03 --> 00:30:06: opportunities or is it still TBD or is it going
00:30:06 --> 00:30:07: to be a city by city decision?
00:30:09 --> 00:30:11: Defer to Nick first, but I'm happy to be happy
00:30:12 --> 00:30:12: to chime in as well.
00:30:13 --> 00:30:15: Sure. I mean I can I can speak to at
00:30:15 --> 00:30:19: least how we're thinking about things here in the district.
00:30:19 --> 00:30:22: I mean we, we bill you, we absolutely view those
00:30:22 --> 00:30:26: as like part and parcel. So we recently approved our
00:30:26 --> 00:30:30: Public Service Commission, recently approved a rate case for Pepco
00:30:30 --> 00:30:34: or electric utility to expand energy efficiency and demand reduction
00:30:34 --> 00:30:38: programs, right. So it's exactly the kind of local, local
00:30:38 --> 00:30:41: support if you will that you're talking about and we're
00:30:41 --> 00:30:43: pairing those very much with.
00:30:43 --> 00:30:46: Existing measures that we have as as a city and
00:30:46 --> 00:30:49: pulling in these federal forces sources of funding to sort
00:30:49 --> 00:30:52: of work collaboratively, right. So looking at how do we
00:30:52 --> 00:30:55: support those sort of small scale residential, but how do
00:30:55 --> 00:30:58: we also support our commercial buildings, our larger buildings, our

00:30:58 --> 00:31:01: multifamily buildings. And so I don't know if I don't
00:31:01 --> 00:31:04: sense that there's a crowding out problem here. I think
00:31:04 --> 00:31:07: that the the problem, you probably hear people say this
00:31:07 --> 00:31:09: a lot, the problem is so large, we kind of
00:31:09 --> 00:31:11: need all the solutions on the table and I think
00:31:11 --> 00:31:14: it's in many ways almost more of a crowding.
00:31:14 --> 00:31:16: And perhaps that's my take.
00:31:17 --> 00:31:19: I guess I doubt great comments, Nick. I guess I
00:31:19 --> 00:31:22: would just add to that my understanding of how some
00:31:22 --> 00:31:25: state and local programs might operate, some state and local
00:31:25 --> 00:31:28: incentive programs particularly rebates, it's kind of like on a
00:31:29 --> 00:31:32: first come, first serve versus basis, right. There's a budget.
00:31:32 --> 00:31:35: Once the amount in those funds are exhausted, they're exhausted
00:31:35 --> 00:31:37: and then you have to wait you know for the
00:31:38 --> 00:31:40: for the Treasury you know to to repopulate. That's not
00:31:40 --> 00:31:43: how these federal tax credits work. There's not a limit
00:31:43 --> 00:31:46: you know in any year on how much one can
00:31:46 --> 00:31:47: qualify for the tax credit.
00:31:47 --> 00:31:50: You meet the standards and some of these standards to
00:31:50 --> 00:31:54: get these incentives are rigorous. I'd encourage folks to look
00:31:54 --> 00:31:57: at the fact sheet that RR prepared that get into
00:31:57 --> 00:32:00: more of the details on what it takes to qualify
00:32:00 --> 00:32:03: for these incentives. But some of these incentives are 179
00:32:03 --> 00:32:06: D for example, is a permanent provision of the tax
00:32:06 --> 00:32:09: code. As many people could use 179D if they qualify
00:32:09 --> 00:32:12: for it as possible on the investment tax credit in
00:32:12 --> 00:32:15: some way shape or form. It it it kind of,
00:32:15 --> 00:32:16: you know morphs into.
00:32:17 --> 00:32:20: Technology neutral credit in in in three years, but these
00:32:21 --> 00:32:23: tax incentives are part of the tax code for 10
00:32:23 --> 00:32:24: years.
00:32:25 --> 00:32:28: They're not subject to any kind of budgetary limitations or
00:32:28 --> 00:32:30: constraints, at least at the federal level, at least as
00:32:31 --> 00:32:31: of now.
00:32:32 --> 00:32:32: Thanks.
00:32:33 --> 00:32:36: And John Hanks has a good follow up question to
00:32:36 --> 00:32:38: this in the chat, which is how do I actually
00:32:38 --> 00:32:41: get this money and is there a guide on how
00:32:41 --> 00:32:44: to file for and attain these credits or will they
00:32:44 --> 00:32:47: be baked into the manufacturers who are selling you stuff
00:32:47 --> 00:32:50: associated with the credits or consultants or a firms who

00:32:50 --> 00:32:53: are going to help you figure out how to build
00:32:53 --> 00:32:56: them into a pro forma or design strategy for a
00:32:56 --> 00:32:57: new construction?
00:32:57 --> 00:33:01: Really excellent question to be clear. So these are tax
00:33:01 --> 00:33:03: incentives, so these are.
00:33:03 --> 00:33:06: Wild. You know, a taxpayer would claim these if they
00:33:06 --> 00:33:09: are eligible as part of their tax returns to reduce
00:33:09 --> 00:33:13: their tax liability or their taxable income. You don't get
00:33:13 --> 00:33:15: this money by a grant. This is a direct payment
00:33:16 --> 00:33:19: from the federal government. It's a tax incentive that reduces
00:33:19 --> 00:33:22: in terms of the credit, in terms of, you know,
00:33:22 --> 00:33:25: it reduces the the tax liability of taxpayer would pay,
00:33:25 --> 00:33:28: a business would pay in terms of the deduction. It
00:33:28 --> 00:33:32: reduces the taxable income. It lowers the tax responsibility in
00:33:32 --> 00:33:33: that regard.
00:33:33 --> 00:33:36: One of the issues that I know that you know
00:33:36 --> 00:33:39: my colleague Ryan McCormick and I at RER Ryan heads
00:33:39 --> 00:33:42: our is our chief policy expert on tax policy. To
00:33:42 --> 00:33:44: the extent that you don't know Ryan, I do our
00:33:44 --> 00:33:48: energy and sustainability policy. We've been kind of wet at
00:33:48 --> 00:33:51: the hip on this. We are expecting there is no
00:33:51 --> 00:33:54: guide that explains to anyone how to how how you
00:33:54 --> 00:33:57: claim these tax incentives. Congress gave us a law that
00:33:57 --> 00:34:00: was a month ago. We are expecting rules and guidance
00:34:00 --> 00:34:03: that will be coming from the Treasury Department.
00:34:03 --> 00:34:06: Uh, you know, I heard as soon as this week
00:34:06 --> 00:34:09: some of these rules and guidances could be, you know,
00:34:09 --> 00:34:12: could be offered out there that would then trigger a
00:34:12 --> 00:34:15: public comment process. But as of right now, there is
00:34:16 --> 00:34:18: no guide other than the law itself and other than
00:34:19 --> 00:34:23: many building owners going to their accountants and consultants and
00:34:23 --> 00:34:26: real estate product managers that will help navigate the process
00:34:27 --> 00:34:30: to take advantage of these tax incentives that will generally
00:34:30 --> 00:34:33: apply to construction that starts next year, so.
00:34:33 --> 00:34:37: The incentives that we're talking about in terms of the
00:34:37 --> 00:34:41: four I outlined at least will generally apply to construction
00:34:41 --> 00:34:43: that starts January 1, 2023 or after.
00:34:44 --> 00:34:46: Right now, if you want to apply for any of
00:34:46 --> 00:34:49: these incentives, you're under the, you know, the earlier version
00:34:49 --> 00:34:51: of the tax code. But you know, there are more

00:34:51 --> 00:34:52: strictures in that regard.
00:34:53 --> 00:34:57: There's another tax credit question in the chat and it
00:34:57 --> 00:35:00: refers to the idea of having a buying and selling
00:35:00 --> 00:35:03: and trading tax credits similar to how we have in
00:35:03 --> 00:35:07: lightech for multifamily. I think a supplemental question would be,
00:35:07 --> 00:35:11: you know, the investment tax credit that we currently have.
00:35:12 --> 00:35:15: In the real world led to the power purchase agreement
00:35:15 --> 00:35:18: and led to this idea of finding somebody who had
00:35:18 --> 00:35:20: a tax appetite to be a third party to a
00:35:20 --> 00:35:23: deal, which complicates a lot of those deals because Reeths
00:35:23 --> 00:35:25: don't pay taxes in the same way that you and
00:35:26 --> 00:35:26: I.
00:35:26 --> 00:35:27: So yeah.
00:35:27 --> 00:35:30: Be great from all of the panelists, including people who've
00:35:30 --> 00:35:34: set up strategies for renewable energy. I know just created
00:35:34 --> 00:35:38: a whole construction company to help them manage the renewable
00:35:38 --> 00:35:42: energy credits. And Blackstone owns renewable energy companies, so.
00:35:42 --> 00:35:45: It would be great to hear from everybody about like
00:35:45 --> 00:35:48: whether this is simplifying anything about your ability to take
00:35:48 --> 00:35:52: advantage of these credits to execute your renewable energy strategy.
00:35:52 --> 00:35:54: And also Dwayne, yeah, would be great to hear if
00:35:54 --> 00:35:57: given the lytic experience that this is gonna create a
00:35:57 --> 00:35:57: similar.
00:35:58 --> 00:35:59: Market. Yeah, sure.
00:36:00 --> 00:36:03: This might be a this might be the easy response
00:36:03 --> 00:36:06: but I think it's too soon to tell. I think
00:36:06 --> 00:36:08: that you know one we need to see you know
00:36:08 --> 00:36:11: what the guidance looks like on this law and what
00:36:11 --> 00:36:14: the approach you know ends up looking like boots on
00:36:14 --> 00:36:18: the ground as Dwayne described before. We can understand if
00:36:18 --> 00:36:21: the if our processes become simplified or they may become
00:36:21 --> 00:36:25: more complicated but worth the pursuit because of the type
00:36:25 --> 00:36:28: of incentive received. Just getting back to a couple of
00:36:28 --> 00:36:30: earlier comments, I you know I think that.
00:36:31 --> 00:36:34: Um, things like utility sponsored incentive programs I think are
00:36:34 --> 00:36:37: always going to be around for the R&M level type
00:36:37 --> 00:36:41: of projects. You know, where you know the engine, the

00:36:41 --> 00:36:44: buildings engineer or the operations staff can manage end to
00:36:44 --> 00:36:48: end a process where they're trying to you know replace
00:36:48 --> 00:36:50: a motor and they can get some money from the
00:36:50 --> 00:36:53: utility to help pay for that. You know I think
00:36:53 --> 00:36:55: that's always going to be a valuable.
00:36:57 --> 00:37:01: You know, aid and paying for things overtime. You know,
00:37:01 --> 00:37:04: to the extent that external consultants are needed to help
00:37:04 --> 00:37:08: building owners navigate through this process.
00:37:09 --> 00:37:12: And also you know I think that's that's likely you
00:37:12 --> 00:37:15: know I think that also there's a good question in
00:37:15 --> 00:37:19: the chat about what type of internal stakeholders need to
00:37:19 --> 00:37:22: be engaged here for this. And you know I don't
00:37:22 --> 00:37:25: know how often you know at a real estate company
00:37:25 --> 00:37:28: that the tax group and the you know energy efficiency
00:37:28 --> 00:37:31: planning group you know have lunch together. But I think
00:37:32 --> 00:37:35: you know there's going to need to be new relationships
00:37:35 --> 00:37:38: and conversations to be had so that these at times
00:37:38 --> 00:37:39: complex topics.
00:37:39 --> 00:37:42: Can be socialized in a way that everyone understands it
00:37:42 --> 00:37:44: and you know Dwayne and and his, you know his
00:37:45 --> 00:37:47: colleagues within the tax group do a good job of
00:37:47 --> 00:37:51: bringing groups together, you know, from their members who might
00:37:51 --> 00:37:54: not otherwise be coalescing. But when there's common ground on
00:37:54 --> 00:37:57: the topic such as this, I think it's important for
00:37:57 --> 00:37:59: everyone to be equally informed for sure.
00:37:59 --> 00:38:02: Yeah, great comment. And I would add another person into
00:38:02 --> 00:38:04: that list that you need to the folks need to
00:38:04 --> 00:38:07: start going to lunch with. It's your procurement people because
00:38:08 --> 00:38:09: of the labor connection here.
00:38:09 --> 00:38:11: And how projects are bid out insofar as are you
00:38:12 --> 00:38:14: dealing with the unionized workforce, what are the level of
00:38:15 --> 00:38:16: wages that those are being paid?
00:38:18 --> 00:38:20: Time will tell. Proof will be in the pudding, but
00:38:21 --> 00:38:25: there could be substantial increases and uptake of these incentives.
00:38:25 --> 00:38:28: If I mentioned at the top, workers are paid prevailing
00:38:28 --> 00:38:31: wages on a project that's generally beyond the scope or
00:38:31 --> 00:38:35: beyond the wheelhouse outside of the SG folks and perhaps
00:38:35 --> 00:38:38: the tax folks. So the lawyers and the consultants win,
00:38:38 --> 00:38:41: and they're going to have to bring all these folks

00:38:41 --> 00:38:44: together to figure out if, if, you know, working all
00:38:44 --> 00:38:48: those pencils out, I'm happy to answer the lightech question.
00:38:48 --> 00:38:50: But I don't want to dominate the conversation either. Want
00:38:50 --> 00:38:51: to hear from?
00:38:51 --> 00:38:54: Colleagues, Susanna would be great if you could weigh in.
00:38:54 --> 00:38:57: Prologis has had one of the most successful real estate
00:38:57 --> 00:39:00: renewable energy programs in the industry. Is this gonna change
00:39:00 --> 00:39:03: your strategy at all, or is this just make what's
00:39:03 --> 00:39:04: been sweet even sweeter?
00:39:06 --> 00:39:08: Yeah, I think my answer is probably similar given the
00:39:08 --> 00:39:11: timing of all this to Dan. So yeah, I think
00:39:11 --> 00:39:13: it's still too soon to tell. But I think in
00:39:13 --> 00:39:16: that discussion of, you know, how do we think about
00:39:16 --> 00:39:19: the different conversations internally. I think the timing of us
00:39:19 --> 00:39:22: setting the new net zero goal, the timing of really
00:39:22 --> 00:39:25: building and scaling solar, this coming in and and all
00:39:25 --> 00:39:29: the other regulations frankly that are driving different discussions inside
00:39:29 --> 00:39:32: the company and with outside groups. You know, for example,
00:39:32 --> 00:39:36: obviously different conversations are happening in most companies.
00:39:36 --> 00:39:39: Related to your accounting teams with the new SEC climate
00:39:39 --> 00:39:43: disclosure with EU taxonomy and SFDR regulations in Europe. So
00:39:43 --> 00:39:46: I think you're at this perfect storm between investors asking
00:39:46 --> 00:39:50: more questions, customers needing to say, hey, we need to
00:39:50 --> 00:39:53: do more on renewable energy, what can you do, you
00:39:53 --> 00:39:56: know, and then I think, you know, really thinking through
00:39:56 --> 00:39:59: how these things come together. But certainly I think for
00:39:59 --> 00:40:02: us, like you said, I think that we're hoping that
00:40:02 --> 00:40:05: this makes a sweet situation sweeter, but also one really
00:40:05 --> 00:40:06: important.
00:40:06 --> 00:40:08: Appointment. Interested. Next thoughts here?
00:40:09 --> 00:40:11: As this kind of moves ahead on what we're hoping
00:40:11 --> 00:40:15: for is just better collaboration, different types of collaboration, tying
00:40:15 --> 00:40:18: in some the expertise from from groups that have been
00:40:18 --> 00:40:20: able to kind of build solar and build these kind
00:40:20 --> 00:40:24: of services and kind of having different conversations at the
00:40:24 --> 00:40:25: local and state level.
00:40:27 --> 00:40:30: Yeah. Nick, also if you have any thoughts on whether

00:40:30 --> 00:40:33: anything is going to change for public sector or nonprofits
00:40:33 --> 00:40:36: be able to more effectively monetize these credits or take
00:40:36 --> 00:40:40: advantage of them to help accelerate their decarbonization effort?
00:40:41 --> 00:40:45: Yeah. So, um to Suzanne's question or point about.
00:40:47 --> 00:40:47: Alright.
00:40:48 --> 00:40:54: Kind of the the. Sorry Suzanne, remember, I got sidetracked
00:40:54 --> 00:40:54: there.
00:40:55 --> 00:40:55: Sorry.
00:40:57 --> 00:41:01: Together I think there hopefully this means more conversations with
00:41:01 --> 00:41:04: local and state and private sector in terms of ways
00:41:04 --> 00:41:07: to collaborate on different types of projects that really can
00:41:07 --> 00:41:09: can help move things forward quicker.
00:41:10 --> 00:41:13: Yeah, thank you. Good, good point. OK. So on that
00:41:13 --> 00:41:16: one of the things in in my short time here
00:41:16 --> 00:41:21: at DOE we've we've had some conversations about is looking
00:41:21 --> 00:41:25: for ways to share success stories essentially, right. So to
00:41:25 --> 00:41:29: highlight cases where we've had successful.
00:41:29 --> 00:41:32: Collaboration on a community solar program cases where you know
00:41:33 --> 00:41:37: we have this admittedly challenging that's program we're building energy
00:41:37 --> 00:41:41: performance standards program and it's we're looking to some of
00:41:41 --> 00:41:44: our building owners to make some big investments but we're
00:41:44 --> 00:41:48: trying to be there with capacity. We've got some capacity
00:41:48 --> 00:41:52: within our agency. We've got partners with the DC sustainable
00:41:52 --> 00:41:55: energy utility with our DC Green Bank and we're trying
00:41:55 --> 00:41:58: to come at this from a a collaborative you know
00:41:58 --> 00:41:59: yes it's a regulation.
00:41:59 --> 00:42:01: But we want everyone to succeed at the end of
00:42:02 --> 00:42:04: the day, we don't want people falling behind. We want
00:42:04 --> 00:42:07: the point of the program is to achieve those goals
00:42:07 --> 00:42:09: that I laid out earlier on in our discussion. And
00:42:09 --> 00:42:12: so we're trying to bring that knowledge and capacity whether
00:42:12 --> 00:42:15: it's from internal art to our agency or from our
00:42:15 --> 00:42:18: partners or from again our success stories, things that we've
00:42:18 --> 00:42:20: seen out in the out in the real world. And
00:42:20 --> 00:42:23: we're going to continue to do that and we certainly
00:42:23 --> 00:42:25: welcome people coming to us and and looking to have

00:42:25 --> 00:42:28: those conversations because there is a lot of learning that
00:42:28 --> 00:42:29: we collectively have.
00:42:29 --> 00:42:32: Do I think we have all the pieces in place
00:42:32 --> 00:42:35: to make the kinds of energy efficiency upgrades to these
00:42:35 --> 00:42:39: buildings, but we're doing it at a scale that honestly
00:42:39 --> 00:42:42: we we haven't done before right this is new. And
00:42:42 --> 00:42:45: then ability to your question or about I saw this
00:42:45 --> 00:42:48: in the chat or in the Q&A about affordable housing
00:42:48 --> 00:42:50: kind of non nonprofit public buildings.
00:42:51 --> 00:42:54: Uh, I hate to keep saying this because I feel
00:42:54 --> 00:42:56: like it's becoming a bit of theme, a bit of
00:42:56 --> 00:42:59: a theme, but we're still kind of assessing that. I
00:42:59 --> 00:43:02: mean, there are provisions in the IRA for $850 million
00:43:02 --> 00:43:06: specifically for affordable housing buildings. So we're looking to partner
00:43:06 --> 00:43:09: with our DC agencies that manage and run affordable housing
00:43:09 --> 00:43:12: building. So I think there's going to be some support
00:43:12 --> 00:43:15: there. How it's going to look. We're not sure there
00:43:15 --> 00:43:19: are these provisions again about potentially kind of bundling some
00:43:19 --> 00:43:21: of the kind of appliance and energy upgrade.
00:43:21 --> 00:43:24: Tax rebates into a way, into a package that could
00:43:24 --> 00:43:26: be used at a building scale rather than just an
00:43:27 --> 00:43:30: individual household scale. And and then back to Susan's point.
00:43:30 --> 00:43:32: I think as we learn more about this, as we
00:43:32 --> 00:43:35: try to unpack some of this information, get clarity from
00:43:35 --> 00:43:38: the Department of Energy and others, we're going to do
00:43:38 --> 00:43:41: our best to push that information out. I I really
00:43:41 --> 00:43:43: view part of our role as the agency as an
00:43:43 --> 00:43:46: education and there's been a lot of questions in the
00:43:46 --> 00:43:48: Q&A about how do we do this, what's the mechanism,
00:43:48 --> 00:43:51: what are you know and I think we're not going
00:43:51 --> 00:43:52: to solve that on our own.
00:43:52 --> 00:43:55: But I think we're looking to play our role in
00:43:55 --> 00:43:57: demystifying a lot of this, making it as easy as
00:43:57 --> 00:43:58: possible.
00:43:59 --> 00:44:03: Awesome, thank you. And there's a number of people asked
00:44:03 --> 00:44:06: about Duane's fact sheet. I dropped it into the chat
00:44:06 --> 00:44:10: the but apparently the chats disabled so I've used it
00:44:10 --> 00:44:13: as an answer to Lorena check as question. So if
00:44:13 --> 00:44:17: you're looking for his factsheet, it's next to Lorena's question.

00:44:18 --> 00:44:20: Dwayna circle back to the lightech.
00:44:20 --> 00:44:24: Question. Yeah, lightech. So just just generally there are as
00:44:24 --> 00:44:27: the panel has been discussing, there are a number of
00:44:27 --> 00:44:30: mechanisms in here in the in IRA that intend to
00:44:30 --> 00:44:33: monetize the amount of these incentives in a way that
00:44:33 --> 00:44:37: the tax code didn't address before. How they are monetized
00:44:37 --> 00:44:41: though is not uniform across the incentives or across parties.
00:44:41 --> 00:44:44: So strap yourself in here. I'm going to try to
00:44:44 --> 00:44:47: run through this real quickly, but it's in the fact
00:44:47 --> 00:44:47: sheet.
00:44:48 --> 00:44:51: So the investment tax credit, the 48 tax credit, and
00:44:52 --> 00:44:55: the 30C tax credit for EV charging stations. So solar
00:44:55 --> 00:45:00: panels, combined heat and power, that's 48 energy storage, 48
00:45:00 --> 00:45:02: EV charging stations, that's 30C.
00:45:03 --> 00:45:08: Nonprofit owners can get direct pay from the federal government.
00:45:09 --> 00:45:13: It's basically you're getting a check from the government for
00:45:13 --> 00:45:15: the amount of these tax incentives, for the amount of
00:45:16 --> 00:45:18: these tax credits, you don't have the tax appetite to
00:45:18 --> 00:45:21: use them. The nonprofit owner can get direct pay from
00:45:21 --> 00:45:24: the federal government for those incentives, 30 C 48.
00:45:25 --> 00:45:29: Private sector owners cannot get direct pay from the government.
00:45:29 --> 00:45:32: We asked for it. We didn't get it. What we
00:45:32 --> 00:45:35: got instead was the ability of private sector owners such
00:45:35 --> 00:45:38: as reach to transfer the amount of the tax credit
00:45:38 --> 00:45:41: to an unrelated third party as long as the third
00:45:41 --> 00:45:44: party pays, quote UN quote cash for that incentive. So
00:45:45 --> 00:45:48: it's monetized in a dollar amount. The amount of that
00:45:48 --> 00:45:51: credit. What we would anticipate how that will translate in
00:45:51 --> 00:45:55: the market for example, is if you're a building owner
00:45:55 --> 00:45:55: that's a Reed.
00:45:56 --> 00:45:58: And you're looking at doing a solar panel project. It
00:45:58 --> 00:46:01: might be that the contractor that you're working with, it
00:46:01 --> 00:46:04: might be a partnership. It might be some other entity
00:46:04 --> 00:46:06: that could actually use that money, right? It can reduce
00:46:07 --> 00:46:09: its tax liability. The amount of that incentive might be
00:46:09 --> 00:46:12: able to then be transferred from the reach to the
00:46:12 --> 00:46:13: solar panel contractor.
00:46:14 --> 00:46:17: Doesn't get direct pay from the government, but it's as
00:46:17 --> 00:46:20: long as the amount of the 30C tax credit is
00:46:20 --> 00:46:24: monetized and the transferee taxpayer, the recipient, pays

cash.

00:46:26 --> 00:46:29: They can take advantage of it. That's going to be
00:46:29 --> 00:46:32: I think a little bit different from the Li HTC
00:46:32 --> 00:46:35: syndication process for example. So the way that Litaf generally
00:46:35 --> 00:46:39: operates, right, you have syndicators that convert tax credits into
00:46:39 --> 00:46:43: equity by selling them to investors that offset the investors
00:46:43 --> 00:46:46: tax liability. I don't envision that being a similar situation
00:46:46 --> 00:46:50: for what we're talking about here. The law doesn't contemplate
00:46:50 --> 00:46:53: that kind of approach the way that light TAC is
00:46:53 --> 00:46:56: syndicated. Having said that, Aytac project can use.
00:46:56 --> 00:46:59: Again, it qualifies, you know, for for, for, you know
00:46:59 --> 00:47:02: if it's putting solar panels it can look to take
00:47:02 --> 00:47:06: advantage of the 48 tax credit just real quickly with
00:47:06 --> 00:47:10: 179D. Again, a little bit controversial here. There's no direct
00:47:10 --> 00:47:12: pay option in 179 D there's not no one gets
00:47:12 --> 00:47:16: direct pay for 179D tax deduction. However, public building owners,
00:47:17 --> 00:47:21: government building owners and and try and nonprofit building owners
00:47:21 --> 00:47:23: and tribe and tribal owners.
00:47:24 --> 00:47:27: Can transfer the amount of the 179 D deduction, but
00:47:27 --> 00:47:31: the recipient is narrow. The recipient has to be to
00:47:31 --> 00:47:35: the person primarily responsible for the design of the building,
00:47:35 --> 00:47:40: so an architect and designer. Unfortunately, private sector owners do
00:47:40 --> 00:47:43: not have the transfer option under 179D.
00:47:43 --> 00:47:46: An area of future advocacy, I'm sure, for the real
00:47:46 --> 00:47:47: estate roundtable.
00:47:49 --> 00:47:52: So as Dwayne was giving that very detailed and thoughtful
00:47:52 --> 00:47:55: answer to the potential for a lightech market out of
00:47:55 --> 00:47:58: this bill, I I think about 15 questions came in.
00:47:58 --> 00:48:01: So I want to at this point give all of
00:48:01 --> 00:48:04: my panelists the opportunity to interrupt me and pick any
00:48:04 --> 00:48:08: questions that you would like to answer. Recognizing that I'm
00:48:08 --> 00:48:11: going to ask you one more question before you do
00:48:11 --> 00:48:13: that. So there are a lot of questions in here
00:48:13 --> 00:48:16: that often involve a lot of commentary and ask what
00:48:17 --> 00:48:19: this bill is going to do to reduce inflation.
00:48:19 --> 00:48:22: But I a lot of the people who are asking
00:48:22 --> 00:48:25: this questions are bringing up a good point, which is

00:48:25 --> 00:48:29: construction costs have been going up during the pandemic and
00:48:29 --> 00:48:31: continue to go up. This bill will create new costs
00:48:32 --> 00:48:35: and probably price increases for some of the same technology
00:48:35 --> 00:48:38: that it's looking to incentivize. How do you think this
00:48:38 --> 00:48:41: is all going to net out? Is this still going
00:48:41 --> 00:48:44: to be a net benefit for new construction and major
00:48:44 --> 00:48:47: retrofits to improve the economics of your projects or is
00:48:47 --> 00:48:50: it hard to tell or is this basically?
00:48:50 --> 00:48:52: This rewarding you for things that.
00:48:53 --> 00:48:55: Are gonna be more expensive anyway.
00:49:00 --> 00:49:03: I'll offer some commentary there. I think you know, we
00:49:03 --> 00:49:06: shouldn't forget that a lot of the work that is
00:49:07 --> 00:49:11: intended to be incentivized here is either revenue generating, expense
00:49:11 --> 00:49:15: reducing or risk mitigating. And so you know, we shouldn't
00:49:15 --> 00:49:18: discount the fact that, you know, there is a business
00:49:18 --> 00:49:22: case and in many cases a direct return on investment
00:49:22 --> 00:49:24: with a lot of this type of work and so
00:49:24 --> 00:49:25: there's a lot.
00:49:26 --> 00:49:29: More to be considered than just the rising cost of
00:49:29 --> 00:49:33: materials and labor and so forth, energy costs for example.
00:49:33 --> 00:49:36: So the the higher the price of energy the greater
00:49:36 --> 00:49:40: the avoided cost with all of the energy efficiency work
00:49:40 --> 00:49:43: or on site energy production. So I think there's a
00:49:43 --> 00:49:46: you know we need to make sure we're approaching this
00:49:46 --> 00:49:50: from a broad range of perspectives to understand you know
00:49:50 --> 00:49:53: as this work comes together you know where what it
00:49:53 --> 00:49:57: where the cash flows look like because I think there's.
00:49:57 --> 00:50:00: There's many different ways to measure success here.
00:50:01 --> 00:50:03: Yeah, that kind of echo and Dan said, I think
00:50:03 --> 00:50:06: the other kind of thing he brought this up earlier
00:50:06 --> 00:50:09: about engaging with your procurement departments. One thing we think
00:50:10 --> 00:50:12: a lot about with our procurement is scale. So as
00:50:12 --> 00:50:15: we're, you know changing and and continuing through our net
00:50:15 --> 00:50:17: zero goal to kind of add things to make sure
00:50:17 --> 00:50:20: all of our roots and new construction are solar ready,
00:50:20 --> 00:50:23: Evie ready. As we're thinking about new types of materials,
00:50:23 --> 00:50:26: you're also looking at the the time horizon a bit.
00:50:26 --> 00:50:29: You see having large purchasing power, you can kind of

00:50:29 --> 00:50:31: bring that cost down, but also we know some of
00:50:31 --> 00:50:31: this.
00:50:31 --> 00:50:34: Innovation in the beginning might cost a bit more, but
00:50:34 --> 00:50:38: as you test and scale new sustainable building materials like
00:50:38 --> 00:50:42: as we start innovating around lower carbon concrete or lower
00:50:42 --> 00:50:45: carbon designs or lower carbon steel like those are things
00:50:45 --> 00:50:48: as we start now may look you know harder but
00:50:48 --> 00:50:50: that curve will come down overtime.
00:50:51 --> 00:50:54: And as market demand, the other thing coming back to
00:50:54 --> 00:50:56: the customer piece for all of us you know is
00:50:56 --> 00:50:59: you know as customers are demanding this, this is going
00:50:59 --> 00:51:02: to be more a part of the differentiation and just
00:51:02 --> 00:51:04: becomes part of the the floor kind of becomes a
00:51:04 --> 00:51:07: new a new set level that you're going to have
00:51:07 --> 00:51:09: to just be standard of how these buildings are built
00:51:09 --> 00:51:10: and operated.
00:51:11 --> 00:51:14: I'd add to these excellent comments and it would be
00:51:14 --> 00:51:18: interesting to hear Nick's reaction to this. One of the
00:51:18 --> 00:51:21: questions that we've been fielding a lot is what's the
00:51:21 --> 00:51:26: interaction here between this the state and local building performance
00:51:26 --> 00:51:29: standards L97 for example, a lot of folks talk about
00:51:29 --> 00:51:31: local law 97 in New York as kind of a
00:51:31 --> 00:51:35: model for state and local requirements that put that are
00:51:35 --> 00:51:39: that either are or are proposing specific mandates on buildings
00:51:39 --> 00:51:41: to lower their GHG reductions.
00:51:41 --> 00:51:44: Or to become more energy efficient to lower their energy
00:51:44 --> 00:51:44: consumption?
00:51:46 --> 00:51:50: As those compliance deadlines and compliance obligations at the state
00:51:51 --> 00:51:54: and local level start to really materialize in the coming
00:51:54 --> 00:51:57: years that it might be these federal incentives help defray
00:51:57 --> 00:52:00: some of the costs of state and local compliance. So
00:52:00 --> 00:52:03: without a doubt it's, you know, some of these tax
00:52:03 --> 00:52:07: credits and tax incentives that we're talking about here, you
00:52:07 --> 00:52:10: know there are going to be paperwork obligations, there are
00:52:10 --> 00:52:13: going to be requirements, there are going to be folks
00:52:13 --> 00:52:16: that have to bid out, you know or want to
00:52:16 --> 00:52:16: bid out.
00:52:17 --> 00:52:20: Union contracting versus versus non union, non union wages, there
00:52:20 --> 00:52:23: are hurdles that need to be gone through and there

00:52:23 --> 00:52:27: are going to be compliance costs with these tax incentives
00:52:27 --> 00:52:30: to take advantage of them. And whether those incentives are
00:52:31 --> 00:52:34: inducement enough to claim the incentive, I think time will
00:52:34 --> 00:52:37: tell. But piggybacking on a comment that Dan and Suzanne
00:52:37 --> 00:52:41: were making, I think it external driver to what's going
00:52:41 --> 00:52:44: on here are going to be these state local performance
00:52:44 --> 00:52:45: mandates.
00:52:45 --> 00:52:48: If you need to avoid paying fines under a state
00:52:48 --> 00:52:52: and local law to meet your GHG reductions or energy
00:52:52 --> 00:52:56: consumption reductions as a result of requirements passed by a
00:52:56 --> 00:52:59: City Council or or or or or State House.
00:53:00 --> 00:53:02: I don't think our Members are going to want to
00:53:02 --> 00:53:02: leave money on the table.
00:53:03 --> 00:53:06: If you have to do a retrofit project to meet
00:53:06 --> 00:53:09: your state and local compliance, it might be that you
00:53:09 --> 00:53:12: are then going to structure your retrofit project to comply
00:53:12 --> 00:53:15: with the 179D tax deduction and its retrofit path.
00:53:17 --> 00:53:20: Whether the tail is wagging the dog or who's inducing
00:53:20 --> 00:53:21: what here, I don't know.
00:53:22 --> 00:53:24: But there are going to be connections and synergies here
00:53:24 --> 00:53:26: that people are going to be paying attention to, I
00:53:26 --> 00:53:26: think.
00:53:29 --> 00:53:33: I mean that that was a great summary in question
00:53:33 --> 00:53:37: Dwayne I'll chime in just since you mentioned me but
00:53:37 --> 00:53:40: you know we're we're pretty proud in the district of
00:53:40 --> 00:53:45: our building performance program and and feeling like we're trying
00:53:45 --> 00:53:48: to kind of lead lead the way if you will
00:53:48 --> 00:53:52: in the nation on on pushing buildings to make these
00:53:52 --> 00:53:56: kind of necessary but again you know big upgrades and
00:53:56 --> 00:53:59: I think to your to your point and question I.
00:53:59 --> 00:54:02: My hope and my expectation is that that the kind
00:54:02 --> 00:54:05: of funding that we're seeing coming down from the federal
00:54:05 --> 00:54:09: government will very much support what we're trying to do.
00:54:09 --> 00:54:11: So we set up a program that tries to make
00:54:11 --> 00:54:15: clear what we're expecting. We're expecting, you know, building buildings
00:54:15 --> 00:54:18: to push beyond if they're not compliant with our program,
00:54:18 --> 00:54:21: to push beyond where they are and and achieve a
00:54:21 --> 00:54:24: higher level of performance. And that we're going to keep
00:54:24 --> 00:54:27: kind of doing this and kind of ratcheting things up
00:54:27 --> 00:54:30: over time. So there's a lot of incentive.

00:54:30 --> 00:54:32: I think to step back, look at your building and
00:54:32 --> 00:54:35: think long term about the investments that are going to
00:54:35 --> 00:54:39: help you not just meet our current compliance cycle, but
00:54:39 --> 00:54:42: think one or two compliance cycles into the future. We
00:54:42 --> 00:54:45: already have seen federal funding in the form of the
00:54:45 --> 00:54:48: ARPA money coming down that we're directly applying to support
00:54:48 --> 00:54:52: through the affordable Housing Retrofit accelerator that I mentioned. The
00:54:52 --> 00:54:56: the portion of gaps that we know is particularly challenging
00:54:56 --> 00:54:59: which is how do you upgrade a building that's already
00:54:59 --> 00:55:01: trying to meet other public policy.
00:55:01 --> 00:55:04: Goals like affordable housing provision. So we are able to
00:55:04 --> 00:55:08: currently apply ARPA funds to that piece and we're looking
00:55:08 --> 00:55:11: to the IRA to help sort of continue to provide
00:55:11 --> 00:55:14: support and and and assistance to a broader range of
00:55:14 --> 00:55:18: building types. Again still a little bit unknown in terms
00:55:18 --> 00:55:21: of you know for instance the Green Bank funds I
00:55:21 --> 00:55:24: think would be a good mechanism. But Duane to your
00:55:24 --> 00:55:27: point about 179, I'll be honest that that was a
00:55:27 --> 00:55:30: piece of this that we had not kind of keyed
00:55:30 --> 00:55:31: in on closely.
00:55:31 --> 00:55:33: Nothing. We're gonna go back and look at that and
00:55:33 --> 00:55:37: make sure that we're doing everything we can to incorporate
00:55:37 --> 00:55:40: 179 into the compliance pathways. I'm pretty confident it it
00:55:40 --> 00:55:42: can be done because we have a very flexible set
00:55:42 --> 00:55:46: of compliance pathways in the district. But we're going, we're
00:55:46 --> 00:55:48: going to make sure that that's something we can do.
00:55:48 --> 00:55:51: I think it can, Nick. So I'm so glad we're
00:55:51 --> 00:55:55: having this conversation. So I'm going to make a pitch
00:55:55 --> 00:55:58: here. You know the the metric that is used in
00:55:59 --> 00:56:01: 179 D to take advantage of the retrofit.
00:56:01 --> 00:56:07: Reduction is a reduction in site energy usage, intensity, intensity,
00:56:07 --> 00:56:11: site UI. I'm hoping that as more localities might consider
00:56:11 --> 00:56:15: enacting a building performance standard.
00:56:16 --> 00:56:18: If they are to go down that mandated path, what
00:56:18 --> 00:56:22: they will look at would be mandatory reductions in site
00:56:22 --> 00:56:23: energy usage intensity.
00:56:24 --> 00:56:28: That can wed well with the federal incentive that is
00:56:28 --> 00:56:33: geared toward giving the tax deduction based on reductions in
00:56:33 --> 00:56:34: site EUI.

00:56:39 --> 00:56:42: I will note that we are not lobbying on this
00:56:42 --> 00:56:45: webinar, but helping to design and inform the design of
00:56:45 --> 00:56:49: smart policy to achieve our shared climate goals is always
00:56:49 --> 00:56:50: a good thing.
00:56:51 --> 00:56:53: We're about to wrap up, but I wanted to make
00:56:53 --> 00:56:57: sure that there was an opportunity for our panelists. Anything
00:56:57 --> 00:56:59: we didn't mention or didn't get to that you just
00:56:59 --> 00:57:02: want to get out to our audience before we close
00:57:02 --> 00:57:05: up shop. Any any burning things or questions that you
00:57:05 --> 00:57:07: saw that you want to quickly answer?
00:57:10 --> 00:57:13: All right. One quick thing I'd like to ask, maybe
00:57:13 --> 00:57:17: just ask Dan and Suzanne, beyond the Inflation Reduction Act,
00:57:17 --> 00:57:21: are there other incentives or other financing strategies that you
00:57:21 --> 00:57:24: found effective in your work that you'd want to make
00:57:24 --> 00:57:26: sure that the audience knows about?
00:57:28 --> 00:57:31: That just on an earlier comment I made, I think
00:57:31 --> 00:57:35: you know the implementers, the practitioners in our portfolio companies,
00:57:35 --> 00:57:39: you know we encourage them to go after whatever incentives
00:57:39 --> 00:57:42: are available locally to them. I do think this is
00:57:42 --> 00:57:45: a, you know there's a multi tiered environment here of
00:57:45 --> 00:57:48: incentives that it can get this work done and so
00:57:48 --> 00:57:51: great to have federal like a layer of federal consistency
00:57:51 --> 00:57:55: across this mosaic of local and state regulation and policy
00:57:55 --> 00:57:58: and codes and standards. I think it's important.
00:57:58 --> 00:58:01: I think certainly there's parts of the country that lack
00:58:01 --> 00:58:04: any of those things and this may be the first
00:58:04 --> 00:58:08: instance of support that some of these projects can get.
00:58:08 --> 00:58:10: But I think you know there's always going to be
00:58:10 --> 00:58:14: sort of engine room driven incentives that you know, everyone
00:58:14 --> 00:58:18: should encourage their practitioners to continue to pursue.
00:58:20 --> 00:58:22: Yeah, nothing really significant to add on top of that.
00:58:23 --> 00:58:24: I guess I would say just I think it's a
00:58:25 --> 00:58:28: pretty interesting time more broadly with when you think about
00:58:28 --> 00:58:31: you said more broadly on financing. You know certainly we
00:58:31 --> 00:58:33: see a lot of activity. We've been doing a lot
00:58:33 --> 00:58:36: of green bonds and integration into our core financing activities.
00:58:36 --> 00:58:39: And so I thinking I think there's just a real
00:58:39 --> 00:58:42: opportunity to as you said the beginning companies to think

00:58:42 --> 00:58:45:	holistically across their departments and bring the right experts for
00:58:45 --> 00:58:48:	pieces so that you're not doing any of this, you're
00:58:48 --> 00:58:50:	sustainably stuff separately but that it's really being.
00:58:51 --> 00:58:53:	Or part of the strategy and looking longer term of
00:58:54 --> 00:58:56:	how to drive this change going forward?
00:58:57 --> 00:59:01:	Great. Well with that Dan, Nick, Suzanne, Dwayne, thank you
00:59:01 --> 00:59:03:	so much for all of your insight on this webinar.
00:59:04 --> 00:59:07:	Thank you to everybody who joined this webinar. We have
00:59:07 --> 00:59:10:	added the real estate roundtable factsheet on IRA to the
00:59:10 --> 00:59:13:	chat and it'll be sent out to all panel all
00:59:13 --> 00:59:17:	people who registered. Along with the recording of this webinar,
00:59:17 --> 00:59:20:	we've also added a green Print Head 0 compendium with
00:59:20 --> 00:59:25:	resources around cost effective strategies to pursue decarbonization and climate
00:59:25 --> 00:59:27:	mitigation and I would encourage.
00:59:27 --> 00:59:30:	Everybody to take a minute to share your comments and
00:59:30 --> 00:59:33:	rate this webinar with the post webinar survey. So thanks
00:59:33 --> 00:59:36:	again everybody. Have a great rest of your day.
