Hello, everyone, and welcome to today's webinar on the newest USLI publication at the UNI, Global Sustainability Outlook 2023. In partnership with Ferguson Partners, we are very pleased to bring together industry leaders on emerging topics surrounding sustainability and real estate to discuss the report's findings. Today, a couple of admin notes before we dig in. This webinar is being recorded and we will share the recording on knowledge Finder after the webinar, the slides as well and if you have any questions, please put them. In the Q&A box so that we can. Call through them during the webinar and panelists will also do their best to respond in real time, either verbally or by typing just a quick response into the Q&A box itself, depending on how many questions we get during the webinar itself. Next slide, please.

I will let everyone introduce themselves fully when they first speak, but for now a quick set of introductions just to set the stage. My name is Marta Schantz. I'm with the Urban Land Institute and I am the staff here to introduce the reports, findings today. I'm also the Co executive director for the UI, Randall Lewis Center for Sustainability and Real Estate. I would like to give a special thanks to Ferguson partners for being our global corporate sponsor for this publication. And we have Sarah Collins, the managing director at Ferguson Partners, who will be moderating the panel discussion and then we have 3 panelists.
All of who participated in the round table discussions of UI members to inform this publication. Katie Bloom, the director of development with East West Partners, Daniel Chang, the European head of ESG with Heinz Europe and Sonia Khan, and the Managing director of Four Bright Bank.

Our next slide please. So in late 2022 at the end of last year, you will I interviewed members of UI product councils from across the globe to inform an outlook for the coming year. And the question is what's sustainability topics and issues are on the rise? Why do they matter and what should the industry pursue moving forward?

Our Asia Pacific that included the Resilient Cities Council, UI Europe Sustainability Council and you align America’s Sustainable Development Council.

The link to the report is here on the slideui.org/sustainability outlook. I have a feeling it will go in the chat shortly as well. It's available for download. We we hope you all take a read, but you know this is the webinar for it. And so on the next slide we have the the top five issues that raised to.

To the top for what will shape real estate decision making in 2023 on sustainability. And so my plan is to talk through these briefly to set the stage before our panelists and moderators really dig into what it means for them as real estate leaders. So the first one here is around adjusting the ESG strategy of real estate because of these macroeconomic complications that we're seeing. There's a pending recession, there's a war in Ukraine, a lot of macroeconomic.

Complications are are facing the real estate sector and sustainability. Is still an incredibly important strategy. This is not an excuse for punting on sustainability by any means, but it's a. Prompt for real estate to double down ring fence financing to continue supporting sustainability in their businesses as a piece of core business. These obstacles these complications
and beyond, it's forcing the industry to grapple with how to prioritize sustainability despite these challenges and we see this as a very important issue for sustainability and real estate this year. The next one on the list is around embedding transition risk and transitions and valuation transactions and evaluations of real estate. Now when we think about climate risk, we have physical climate risk like will my building flood, and we have transition climate risk, which looks more at the economic and financial side of climate mitigation and decarbonization. Is my building green enough for investors to still want to invest, for tenants to still want to lease the space, for prospective buyers to want to acquire it in the future, and for governments to still permit it? I mean there are all of these economic and pressures that are a part of transition climate risk and investors and owners are facing a lot of pressure to price this climate risk into their investment life cycles. And this challenge is continuing to grow in 2023 as the appetite for achieving net zero and other sustainability leadership milestones grows. So accounting for the costs and efforts incorporating sustainability into due diligence and other aspects of transactions and valuations is becoming a much bigger piece of real estate. Decision making this year.

The third piece when it comes to these sustainability issues for 2023 is around responding to government influence. Now, regardless of the format or the overall kind of step of any firm's journey and sustainability, there is increasing acknowledgement globally for the importance of climate and so federal funding, local policy incentives, regional regulations all have a piece here. Governments are playing a much bigger role when it comes to encouraging sustainability leadership in real estate. And this goes all the way at the granular level.
at a specific building when I'm locality requests additional sustainability innovations to get a development approved by Council, for example to the regional level where a city may require benchmarking or building performance standards of an asset to a national or regional level where we're seeing in the US for example, the Securities and Exchange Commission releasing. A proposed disclosure requirement for climate risk and we're seeing in the UK in the EU this SFDR regulations also looking a lot at climate risk reporting and alignment with TCF D so we're seeing a lot of government influence push more than ever before for real estate to to make moves on on climate action. The next piece is around physical climate risk and that's specifically addressing the global flood challenges. We see this as a very key part of sustainability for real estate to look at in this calendar year 2023. I mean global water challenges the cross cut influence effects of many climate hazards. So we have flooding and storms and drought and extreme heat, but flooding in particular was really raised from the the Roundtable discussions of arguably sustainability members and. We're seeing decision making being affected by these flood risks. We're seeing it affect the bottom line. We're seeing it affect long term plans and short term plans when it comes to real estate based on those flooding climate events. So that is very much something that I look forward to hearing our our speakers talk about today. And the last piece is it ends on a bit of a positive note thinking about harnessing the power of collaboration. I think anyone here on the webinar today understands that no one stakeholder can solve the climate crisis alone specifically for the building. Sector, you know, it's not just the developer, it's not just the owner or the contractor or the construction firm or the architect or the tenant or the government or
or the investor.

Collaboration is essential to reaching the climate goals that so many stakeholders have at scale.

And so the power of effective collaboration on climate, I mean at the industry level, at the Community level, at the building level, it.

It uplifts the voices of underserved communities for example with environmental justice and social equity considerations and it also drives accelerated climate progress because of the collective innovation and collective collaboration on climate action for real estate. So we're seeing collaboration as being everyone has always collaborated but this year we're seeing it more than ever as a key piece of of progress cost effectively to drive decarbonization and overall.

Sustainability and real estate. So again, I highly recommend everyone visitsuli.org/sustainability outlook to download the report, read the results fully, all in, it's a pretty short publication by ULI Standards.

So now our plan for this webinar is to have a free flowing discussion that covers these five topic areas from the perspective of our expert panelists. So we are very excited about this dialogue. We hope the webinar attendees, you all will contribute your thoughts in the Q&A box and the questions especially for the panelists. So with that, I will pass it to Sarah from Ferguson Partners to tee up and and moderate the discussion and also tee up our speakers. So panelists, please make sure your videos are on and Sarah, please take it from here.

Thank you so much, Martha. I appreciate that. Welcome everyone.

Excited to be here and to be part of this conversation. It's obviously a topical issue and in our industry as well as within our space specifically. So thrilled to be a part of it. Wanted to take a few
minutes at the outset as part of mentioned to give
each of the panelists an opportunity to speak a bit
more about their organization and maybe share with
everyone a
bit about your organization's top priorities as it relates to
sustainability in the coming year and just provide a little
bit more background there before we dive into some of
the topics that.
Your outline, Daniel, did you want to take a minute
and go first?
Sure. Thanks very much, Sarah and Marta. My name is
Daniel Chang and I'm the European league for SG at
Heinz. Heinz is a global privately held real estate company
with over 65 years of experience and present in over
28 countries. And sort of jumping into the question around
our top priorities at Heinz, we we recognize the impact
carbon has on climate and the environmental and social
costs that.
As are associated with that impact. And so for us
that's really one of the most important challenges for the
industry. And and with that in mind, last year in
2022 Heinz set out its net zero and operations carbon
commitment of 2040. And so implementing and taking steps
to
reach that commitment is really going to be the
main priorities going forward. And specifically the top
priorities are
going to be to drive net zero ambitions through a
systems approach to align.
Ourselves with the science whenever it's available and to
harness
and leverage innovation and technology in a systematic way.
And
then finally just being really holistic and comprehensive
throughout that
approach.
Thanks Daniel and maybe handing it off to Sonia.
Hi, I'm Sonia Khanna and I leave the sustainable real
estate group at 4 Bright Bank. For those who don't
know, for bright, we are $10 billion in assets and
are headquartered outside of Washington DC we've been
around since
the early 2000s, but we rebranded to four Bright Bank
at the beginning of 2022 alongside a reimagining of our mission to be a full service bank that's focused on sustainability. In support of this mission, we have set an ambitious goal to dedicate half of our portfolio to sustainable finance opportunities by the end of 2025. My group, the sustainable real estate group lends on commercial real estate properties within four major themes, green buildings. Affordable housing and Community development, historic preservation and. And Brownfield develop redevelopment. We also have a team that offers free pace, which is another form of financing for property improvements at forthright. We believe that allocating capital to decarbonization will ultimately create the most long term value for our investors, our employees and our customers. OK. Thank you, Sonia. Katie.

Hello everyone. My name is Katie Blum. I work with East West Partners. We're a real estate development firm headquartered in Colorado. While we've offices throughout Colorado, Deer Valley, UT, Charleston, SC we developed resort and urban communities and office buildings and hotels. I have been with the firm for seven years. I started in Denver and moved to Charleston in 2020 to run a project on Kiawah Island called the Cape on Kiawah. One of our core values is to build green. And while it's one of our values, we've never had a baseline requirement across all of our projects until this past year. Our executive team decided this past summer and we needed to set a standard across all markets. So our current goal is to build all new projects 100% operating net 0 carbon. And while I say it's a goal, it's a requirement. So while our focus is also operating net 0 carbon, you know that. Does not mean we will not be focusing on and body carbon or other certifications, but that's the baseline and
we're really excited about it.

Fantastic. Appreciate that. And and I think we thought as a group that would be great to start the the conversation focusing on the impact of the current economic environment just given how that impacts everybody. Clearly the sustainability efforts that each of these firms are undertaking as well. But really recognizing as Marta introduced at the current global climate is raising a lot of challenges. There's a lot of uncertainty and there's obstacles that come with that, particularly as it relates to progress on the SG. Time and specifically within the real estate sector. So now firms are required to balance the need for capital and put behind sustainability efforts while remaining profitable and managing through economic difficulties like a pending recession and rising inflation. So that being said, I guess, Sonia, how is 4 bright at this point really thinking about prioritizing their sustainability investments despite some of these recessionary concerns? Right. So 4 Bright is a sustainability focused bank. Therefore, while we have a fiduciary duty as a bank to underwrite the credit of each of our loans, ESG and sustainability are top of mind. For every loan that we do, we have a responsible investment policy and an accompanying ESG due diligence tool credit across all of our lending verticals to facilitate a dedicated ESG assessment which accompanies our underwriting memo. For each new loan, we have a 3 tiered system that classifies alone. Neither as restrictive, which means we're not gonna do the loan. Uh responsible, which means we can pursue the loan but it doesn't qualify for our uh 50% sustainability goal. And then sustainable, which means the borrower business plan is actively promoting sustainability. So essentially our strategy has not changed given the macroeconomic conditions. However, we do have to underwrite
to the higher interest rate environment and recessionary risks as
other banks do, which is certainly.
Challenging in this environment.
Makes sense. And and Katie, how is this reflected in
in your firm?
Well, as I just mentioned since every new project has
to be 100% operating net zero carbon. I think it's
really important that this is actually a requirement, especially
right now because it's difficult to get projects to pencil with
high construction costs high interest rates and in tough environments.
I think unfortunately sustainable features of a project can get
cut in order to make a project work. So you
know as an example in my current project. We are
grappling with whether or not, we should pursue LEED gold.
As construction costs are coming in extremely high, but we
decided you know we have to treat sustainability features as
a mandatory component of projects just like any other amenity
and it's a non negotiable. So to be honest, I'm
excited that this is a new requirement and especially in
a tough environment because we don't have an excuse not
not to build sustainably and 200% operating net 0 carbon.
Right. And and Daniel, what about for Heinz?
Yeah, I would. I would echo what what page is
also just mentioned is that for us our important stakeholders
like our investors and our occupiers are really demanding to
be in an energy performance and and and ESG performance
buildings more than ever even despite the Mecca macroeconomic headwinds.
And I would say that the headwinds that we're having
today are different in in other downturns that we've had
where now we have signs that shows you know what
needs to happen by 2050 to avoid.
You know, you know, disastrous impact on, on climate and
the planet. We have more tools to to help
us to get there, to be more transparent and accountable
to get there. So I think more than ever our,
our stakeholders are asking us for that. And I think
you know, if there is a silver lining in Europe
where we said price it. You know, with the energy
crisis being so acute you know, it has brought occupiers
closer to us as landlords to want to collaborate in
terms of reducing.

So that their operational expenses and their energy costs
and
as a result also to bring down operational carbon. So
in that regard it's actually been positive and we're hoping
that that's a relationship that we're going to build on
going forward. And I would say that even though you
know there is the contention temptation maybe on some of
the BSG CapEx upgrades to push those further down the
line. But the flip argument of that is that the
payback periods are also shorter now with the higher energy
costs.

So I would say to sum it up that you
know more than ever investors and occupiers are really
wanting
to be in EG performance buildings.

Right. So it sounds like not so much that much
is changing, but just more of a commitment to the
ongoing strategy and continuing to find ways to evolve
despite
some of the economic challenges that may be out there.

Umm, so yeah, do you think about the next year,
is there anything that you, your firm or is planning
to leverage in terms of new types of incentive strategies
or financing strategies to ensure your progress on this front?
I think one of the most interesting, interesting and exciting
financing tools out there right now um is, is C
pace. It's a product that for Bright Bank as well
as other institutions offer. See pace is a way of
financing building upgrades and is currently active in 30
states.

In the United States it can finance up to 100%
of property upgrades and essentially can be layered on top
of existing senior debt.

It's structured as a tax assessment and is typically fixed
rate over a term of 20 to 30 years. It's
our view that given the current economic environment and the
need for buildings to be decarbonized, whether due to net
zero pledges or because of government regulation requiring
it, C
pace will become more widely adopted over the next couple of years.

Wonderful. And and maybe this is a good time to transition from there to talking a little bit about the transition risk that is showing up within some transactions and and how you all are thinking about factoring climate risk into your prospective investments and and that approach going forward.

I guess Daniel, how is Heinz measuring that transition risk and your assets or your funds and has anything changed that over the last year that you expect to change going into this year?

Yeah, I think so. For Heinz.

What has changed for us is that you know with that net 0 carbon commitment, we have now embedded in our acquisition process to also seek to understand the performance of our assets against Creme. And so really plotting the transitional risks and and including that in the acquisition process and just to to to quickly give an explanation around what crime is, crime stands for the climate risk real estate monitoring which is basically monitor. Which is essentially a tool that allows you to understand the carbon intensity performance of a building year on year over time such that you get to net 0 by 2050. And so you essentially seek to be aligned with that asset is stranded. And So what Heinz is doing is to align ourselves with cream and to make sure that when we're looking at opportunities and and and and acquisition that we're plotting the performance of our. Buildings from a transitional risk perspective against that crime pathway.

And what that means is that also then allows us to understand what initiatives it would take to make sure that our buildings are constantly aligned with cream and therefore understanding what the cost of those initiatives would be and what those implications of those costs would be on evaluations.

So very much we are focused on making sure that transitional risks are being factored in and understanding
what the
00:21:07 --> 00:21:08: implications are and.
00:21:08 --> 00:21:13: Regulations and I think for me what's been really interesting
00:21:13 --> 00:21:16: as recently as, as in the last three or four
00:21:16 --> 00:21:20: months, we had a discussion with an investor in Europe
00:21:20 --> 00:21:23: who a large investor who basically asked that all of
00:21:24 --> 00:21:28: their investment managers make sure that the stranding period of
00:21:28 --> 00:21:32: their assets are always 10 years out on the crime
00:21:32 --> 00:21:36: benchmark. So for them really intrinsically it means that they're
00:21:36 --> 00:21:38: tying the the preserve preserve.
00:21:40 --> 00:21:44: Preservation of the value of the building with ten years
00:21:44 --> 00:21:47: out and make sure making sure that it's liquid so
00:21:47 --> 00:21:49: we see that there's a lot of.
00:21:52 --> 00:21:57: Importance between transition risks and valuations and actually one thing
00:21:57 --> 00:22:00: that we're really excited about is also being a Co
00:22:00 --> 00:22:04: sponsor of the ULI initiative called Sea Change, which was
00:22:04 --> 00:22:07: launched last October, which is exactly one of the main
00:22:07 --> 00:22:10: focus areas of that is to seek to standardize an
00:22:11 --> 00:22:15: approach to linking transition risks with valuation risks. So we're
00:22:15 --> 00:22:18: really excited about how that's going to shape the way
00:22:18 --> 00:22:21: that we talk about transition risk and values.
00:22:23 --> 00:22:27: Wonderful. And Sonia, what has been your experience or perspective
00:22:27 --> 00:22:28: in in this regards?
00:22:29 --> 00:22:31: So I'd say as a bank and and like many
00:22:31 --> 00:22:35: other banks we are really starting with the physical risk
00:22:35 --> 00:22:39: aspect of the equation. So we've been really working to
00:22:39 --> 00:22:44: try to incorporate physical risk into our underwriting transition. Risk
00:22:44 --> 00:22:47: is definitely trickier, is there a lot of lot more
00:22:47 --> 00:22:52: variables involved with this, we don't currently necessarily take into
00:22:52 --> 00:22:53: account you know.
00:22:53 --> 00:22:57: Transition risk across our portfolio. However, we are looking at
00:22:57 --> 00:23:01: various tools and evaluating them right now to see how
00:23:01 --> 00:23:03: best to address it in the future.
00:23:05 --> 00:23:09: Interesting and and understanding that in addition to the transition
risk we you know it was it was talked about
the influence that government is having in this space right
now and that there are obviously getting much more actively
involved at all levels and and have a lot of
influence on everything from recognizing the importance of
cclimate to
federal funding to local policy initiatives and regulations
across the
board. Katie, would you mind sharing with the group maybe
an example of how the government's influence has impacted
or.
Have you, have you and your team kind of rethought
your approach or strategy around a project or an initiative?
Well, I think you know we are seeing a wave
of regulation across the country and in some cities and
states more so than others. And I think in some
cases we're seeing that you know building sustainably and in
particular with net zero carbons helped entitlement process
which has
been a great incentive. I think a good example from
East West is in Denver on the city's goal is
to have all buildings and homes being net zero energy
by 2030 and so our local team.
There was like, well, you know, we know we're building
buildings before 2030. We might as well make them net
zero energy now, you know, separate from our goals versus
waiting till 2030 because if we don't then we're just
going to have to retrofit them in a few years.
So I think knowing that upcoming code requirements really
helped
change the way we're thinking about designing buildings now
versus
having to make changes in the future. So I think
kind of those sort of regulations and codes can help.
Drive developers to make decisions on real time to hopefully
develop buildings that are, you know, long lasting and
valuable
assets.
No, I think that's a great example. And and Sonia,
has there been an example in in your role where
you could speak to sort of the government's influence here
in some situations you've had to navigate or respond to?
Say, we're going to be really responding to these
government,
the government influence here shortly as more and more local laws are passed. Just looking at, you know, various jurisdictions up and down the East Coast of the US, you have local law 97 in New York City, which is probably the most talked about regulation as it requires buildings greater than 25,000 square feet to meet new energy efficiency and greenhouse gas emissions limits by 2024. With stricter limits in place by 2030, Washington, DC's Clean Energy Act also requires buildings to meet certain energy efficiency standards by 2026. Montgomery County, Maryland, which is where I sit, just passed a bill as well that requires buildings to meet certain building performance standards, or bats. I think, the major difference with some of these newer laws is that they don't necessarily just provide incentives to build green and they don't just deal with new construction, it's for existing buildings that need to comply with certain emissions limits, and if they don't, they're financial penalties. for it. So building owners will definitely have to figure out how to address these laws or face consequences for it. So from a lender's point of view, this will provide a really good opportunity for us to finance these upgrades either via products like Cpace or, you know, other traditional debt sources. That's a really good point. And and Daniel, how about you and with Heinz? Yeah, I would say we're so from where I sit in Europe there's legislation at many different levels. So at a European level for example, we've got the European taxonomy, and also the sustainable Finance disclosure Regulation, SFDR, which is an extension of EU taxonomy and how that applies to funds. And so these are regulations that have been designed not necessarily with real estate in mind. So they have created a little bit of confusion in terms of how they are ought to be adopted.
By the industry. But I do think that they are helping to push forward the understanding in a more comprehensive way so that people can talk and communicate about ESP and hold themselves accountable. The one thing that it's also highlighting is that you know we also need to be careful about making sure that we're following those regulations accurately and and not sort of seeking to sort of you know stretch some of the things that I've seen you know recently.

In the industry, many managers think from one SFDR category to another to make sure that they're avoiding being perceived as as greenwashing. And I think that's something that is really important in the context of regulation. The last thing I would say about about regulation is that, you know, in Europe there is a lot of different levels at European level, at country level, even at district level, but in tandem with that there's also many. Industry LED voluntary initiatives like grass like global real estate, sustainability benchmark or tools like cram or tools like science based target initiative, all that help to bring the market forward and help to hold ourselves accountable as we communicate about our performance.

That's great. And I think those are all hopefully very helpful examples and really showed a lot of the different kind of variations that we're seeing across some of the regulatory changes and the increase that's coming in terms of just the volume and and how more frequent this is becoming much more common across lots of different levels and different markets. As we think about you know the physical risk piece as well you know that one I I think becomes increasingly important to better understand how to really analyze and quantify the physical risk associated with a potential asset.
Katie,

how are you measuring physical risk or particularly around flooding?

I know the water piece was mentioned as being particularly topical at the time you know and how do you think about that and and how in your approach?

OK. You're on mute, sorry.

Sorry about that. Well, sliding an issue in Charleston, as I think many people are aware and I'm really anywhere along the coast if you're developing and so, you know, we know it's an issue and I think it's important that every stakeholder is involved and does what they can to address flooding. You know, for example, example, whether it's like the city investing and updated infrastructure, passing new regulations or developers on thinking through ways to create. More pervious surface in areas for water to flow. So it just has to be top of mind when we're designing a project. And and my current project on kiawah, we've taken a number of steps to address flooding concerns. So I can give you some examples. For example, on the first level of every building, there's no living space, it's all garage and there's breakaway walls with flood vents, all materials or flood resistance. We have 4 drains. So essentially the first levels designed. So water can come in and we would not have to replace the materials. Hopefully that's not the case, but that's how it's designed. The second level, which is really the first living level is higher than what's required by code. We have a big storm water retention pond in the middle of our site that really day-to-day is used as a grand lawn where owners can sit outside, play games, etcetera. So it's an amenity for the community, but it really is a stormwater retention pond. Um, we're reconstructing dunes all throughout the site. And then finally, our building lock coverage is about 13.8% where we were allowed to have up to 25%. And so in our initial entitlements, we are allowed to have more buildings across the site, but with fewer units. And so we went through a rezoning process, so we were able to
have fewer buildings with more units, therefore reducing them previous.

service on the site. So those are.

Some examples of of what we've done and and Kiowa.

Right. And Sonia, how do you think about, I know

you mentioned physical risk being perhaps more top of mind

than transitional risk. How are you thinking about that and

particularly does it impact of a flood risk have any

more significant impact on how you think about a potential

investment of strategy?

Yeah, definitely. I mean they're there. As I mentioned before,

there are various softwares out there that take into account

certain climate scenarios and then can help you quantify.

What physical climate risk would be for your asset over

your hold. So we've been looking at these various softwares

and basically it would apply essentially a loss factor over

the term. I guess for us it would be the

turn of term of our loan or for an investor

the term of the term of their ownership and we

would apply that to our underwriting. So essentially what it

would do is decrease the value of.

Of properties that are in more disaster prone areas and

so that's something that we are definitely employing right

now.

And Daniel, how are you taking this into consideration?

Yeah, so you know in in the acquisition phase and

due diligence that's where we really start looking at all

risks and and you know including physical risks like flooding

risks. So traditionally that would have been you know probably

looking at the historical 100 year flood.

Tendency, but in Europe now and in many of our

funds, we're looking at what we have been obtaining climate

risk studies, which many of those, the one that we

work with 427 that's part of Moody's includes a projection

of the impact on flooding and other physical risks. If

there's a four degree increase in temperature, 4 degrees Celsius.

And so that then helps to show what potential risks

and flooding could be in, you know, as temperatures rise.

Which you know, we know is the case. And so

with that in mind that helps us to put in

place, you know, in the business plan mitigation measures if
Wonderful. And and I guess sort of getting to the final point in terms of how many of these issues are addressed, the importance of collaboration both at the industry level, the Community level across all levels and sort of recognizing the importance of that in terms of being able to make meaningful progress. And in much of this area. Katie, do you want to share an example of sort of how collaboration has really enabled you and your firm to make progress and sustainability and and kind of move your own strategy forward?

Sure. So you know I think it really starts with our, our team or our design team and you know as developers we know enough to be dangerous but we're not, not the experts. And so it's really important that we have a team that's knowledgeable and passionate about what we're doing and from the get go. So you know in terms of the layout on the site, the initial design like the the envelope, the mechanical systems, it's also important. Um, in terms of initial design to in order to meet our goals and if if we don't have a team off the bat that is excited to pursue our sustainability goals and to work with us, then it's really hard to do that. We are under construction on a building in Snowmass right now called Electric Pass Lodge. So it's an all electric building net zero ready and when we were, you know working through the entitlement process knowing that this building was going to have all these sustainable Stainability features really made the local government excited and really was a huge benefit for the entitlement process. So you know that was great in terms of working with the local government and then we've had a great team on that building as well. And in particular we worked with an engineer integral group out of Canada and they've just been kind of thought leaders in terms of our design and innovative systems that have helped us think outside of
the box and and achieve our goals.

That's fantastic, Daniel, how about for you? Is there an example that comes to mind?

Yeah, I think to to the point I'm just mentioned and Martin introduced in terms of really harnessing collaboration to be able to extend the remit of of you know pushing the HT agenda forward beyond just you know a small team it's it's really about engaging the stakeholders whether they're internal or external. And so a couple of examples that come to mind are you know we have one project in Germany where it's it's.

Sitting right outside of Munich and a district called No parallel where we have two two buildings, one building is currently being redeveloped and the other one is sitting vacant while we're seeking to get the the RE permit. And in that vacant building, the the local project team have basically created a Community Center and provided cultural facilities, training facilities, educational facilities and even a community kitchen with a local provider. Really embedding that project in the community and and providing impact for that community. And you know I think it's already mentioned also providing a better link if you will with the local municipality in terms of the permitting process as well and establishing that building and the future use is firmly in, in, in that Community. And so I think you know that that collaboration is really important.

Another stakeholder that I think is is really important to talk about is one that I've mentioned earlier, which is the occupiers and and collaborating with them.

As much as we can going forward, it's structurally so that we can align on our EST strategies whether it be on carbon or whether it be on social issues.

So I've talked about you know some of the the silver lining if you will about the energy crisis and being able to get closer with them as a result of that. But I I do think that we need to continue to do that if any of us want
to get to net zero because they are ultimately the main. Users of the spaces that we build and manage. That's great. And Sonia. Yeah. So as part of the Forebridge sustainable real estate platform, we've included historic preservation and community development. In my experience historic redevelopment projects can demonstrate the best of what we can achieve both from a sustainability and collaboration perspective. Generally these projects have tax credits involved and. And you know also have energy efficiency aspects to them as they are improving the energy efficiency essentially of older buildings and repurposing them into more useful space. A deal that crossed my desk which I think was was a really exciting deal that really kind of showed this collaboration was an old manufacturing facility that was housing a number of small tenants on month to month leases. The owner of the building had the vision to complete an adaptive reuse project on the building, converting it to creative office space with retail along the ground floor. Given it was an industrial building, it had the right feel for creative office and the owner had signed multiple leases for the ground floor retail with local retailers. The capital stack included historic tax credits, renovation tax credits and tax increment financing. The project touched on a number of sustainability. Teams which was historical historic redevelopment energy efficiency with the new lighting new HVAC system. New Windows, um and as part of our loan, we would require at least a 25% improvement in energy efficiency when the project is completed. And then there was a community development aspect to it as well. There was going to be a retail incubator so that small businesses could begin leasing spaces at low leasing space at lower rents and then as they, as they become more profitable, you know, grow, grow rents as
the business grows. And then there was also space for local artists to display their work. So I thought this was a great example of collaboration between the government providing tax credits and then the owner who's giving back to the community. Via these retail and art incubator spaces. That's a great example. I agree. I guess as we start winding down the discussion here and and getting ready to open up the session to the to the Group for a Q&A. I thought it would be helpful to maybe just taking all these different factors into consideration a lot of different variables and in terms of thinking about how to move ahead with your sustainability strategy. And I guess I'd be curious to hear from each of those each of you, you know, what are you either most concerned about? What do you see as your biggest challenge in terms of the goals that you your organization? They set out over the next year and and how you're anticipating kind of navigating some of those. Maybe I'll start with you Sonia and we can move around the group again. Yeah. I'd say the biggest rest is the economy. You know it's top of mind for many and we're trying to get projects to work and it is really difficult to make them pencil right now. And so I mean having local governments and partners on that especially valued decarbonization you know is
hugely helpful in the the new report you know that mentions how buildings should be valued in relation to their decarbonization status. And you know I think that would be hugely beneficial. I agree. I don't think that has yet the norm. So in terms of like our underwriting and our exit values, I don't think we're we're adding extra value to having you know net 0 operating carbon buildings. But I do think that's important and so I that just becoming more and more aware and hopefully I'll become industry standard.

Just a couple other, you know things I was noting down is when we're right now building a lot of condos, you know our goal at the end of the day is to sell the condos. So you know we have to make sure owners want to buy these condos. And you know, I guess one challenge is like how are people are respond, you know they're buying a luxury condo and they don't have their gas fireplace or they don't have their gas cook top that they've always had and expect Umm. And so you know a lot of it for us we're learning it's just higher education. And there's a lot of great electric fireplaces out there, you know, induction cook tops. So it's been a process of, OK, here's the education we need, you know, we need to do and and talk to our buyers about and and so far we've seen it actually hasn't been a big deal. And if some people maybe aren't as they don't care as much about the sustainable aspects, they actually do care about what's healthy for them. And so, you know, getting rid of natural gas in the home and you know, there's these studies of course of. You know the gas stove tops have a correlation to childhood asthma. So when we start having those studies as well that helps I think our buyers be like OK, well we do care about our health. So it is important. So that's just something that we we've been talking about internally and on and I don't know as a take away we were we were having a presentation internally to our firm about you know why is it so important for us to be building 100% operating AT0 carbon
Our managing partners, Snowmass, Andy Gunyon did this great presentation.

And one statement that stuck with me was, you know, unfortunately climate crisis has been politicized. And you know, whatever you may believe, if 97 of 100 experts told you that your house is going to burn down unless you make a change, what would you do? And so when we think about it like that, you know, we have one planet. This is our collective home. And so from our standpoint, we're doing what we can to make a change. So and a lot of that.

Tom comes down to the built environment.

Great. Thank you, Katie and Daniel, how about for you?

I think that's a good transition from Katie to say that, you know, I think. For me the biggest concern is not moving quickly enough. You know you know to 2050 it's 27 years for our commitment behind 2040 it's 17 years. It's it's really around the corner. I've heard many people say already that it's already too late and that you know we're never going to be able to to get to where we need to to get to by 2050 unless we really changed dramatically what we're doing and you know when I was looking at A at a shopping center.

In Ireland recently, and there was the proposal to some of the boilers were coming up for, for, for replacement. You know, those boilers had a shelf life of 20 years or something, or maybe 25 years and so, you know. Your decision to maybe just replace them like for like for a new boilers mean that those weather is going to be around pretty much till 2050 and that's as I said really around the corner. So making knowing that the decisions that you're making today can very much make have an implication on where we end up in by 20402050 is is really important and so. You know being aware of that and being conscious and deliberate around the decisions is is is something that I think we really need to to focus on because as
as we mentioned it's, it's ultimately without analogy of your house burning down is, is is going to have that impact on our planet. That's all for sure. Umm, well, I think that seems like a great place to. Open it up for the Q&A session, I think. We were.

We have a number of options within the chat box, and so hopefully I can get through a few of those quickly. Maybe I'll put it out there and whoever thinks that they have the best answer, we'll take it from there. Or who wants to feel that? So one attendee asked. How many cities and states have regulated current physical risks versus future climate risks and your experience?

I don't know. Is that something that we're seeing is even being factored in or being kind of differentiated between at this point? Sorry, I'm not seeing the OK. The question up there, can you just repeat it one more time? Oh, sorry. How many cities and states have regulated current physical risks versus future climate risk? Yeah, I, I I think that's, that's definitely a tough one, um.

Yeah.

To. To respond. Go ahead. I was going to say not that I know and I do believe that some, some cities, some are looking at it, particularly cities.

You know, close to bodies of water like Hamburger Amsterdam.

I'm sure are focusing on that, but I wouldn't be able to comment specifically on, on what they're, what their plans are. Understand.

Another question around kind of reliability of electricity. So another question was comment committing to sustainability. Using electricity seems to be the norm. Is anyone concerned with the power grid
reliability and or supply meeting demand for electricity?

I can answer that first. I mean that's a great question and something we've been talking a lot about because especially with larger buildings, you know there's so much we can do and try to do with the design to rely less and less on outside power and then so much renewable energy we can have on site. So you know then we're moving all electric and hopes that.

You know, we can have renewable energy from the grid and and I think for example in like Colorado that seems much more realistic in the near term than maybe in South Carolina. So you know, while there's other options and credits for example, I do think having renewable power through the grid is, is going to be huge and the sooner that happens the better it's going to be for everyone.

And I think the question for Sonya around what software platforms you are evaluating to use to determine transitional risk?

So I'd say we've looked at S&P that has one oak, N is another company that has one Jupiter and those are the three that we've really been looking at so far.

In terms of collaboration, I I thought an interesting question. What has been the greatest challenge to some of your collaboration efforts given the challenging environment in the industry?

I mean, I I guess, you know, I gave an example from Snowmass, but here, you know, in Charleston. Yeah. We don't have a lot of partners locally that have done, you know, net serial operating buildings for example.

And so we're trying to figure out, you know, do we need to bring in outside engineers that have experience designing buildings and systems that we're looking to design or do you think we can work with our local partners and and figure it out and our current on a current project, we're like, you know, we have a great
team locally. Everyone's really excited about it. They all want to learn. So like let's let's work together locally with our current partners instead of trying to find a new partner and and see what we can do. So that's one and then I just think, you know I'm excited to work more and more with our local government here just in terms of. Incentives that they could offer for example, for for developing sustainable, sustainable buildings and I just I think the government's going to have a huge impact and especially at the local level. So, yeah.

Yeah, I would agree with that and echo with that. I think it's it's a lot about education and awareness and bringing along a lot of our partners. You know whether it's operational partners or even in the construction process we're talking about embodied carbon and even just making sure that everyone's talking the same language around the standards around embodied carbon. And so it's, it's, it's really making sure that everyone is using the same standards and I think that is moving forward very quickly in the last two years it's been incredible just the the, the, the number of tools. And an adoption of those tools to be able to communicate. But there's a I think there's still a long way to go. And a lot of those funds embodied carbon being one of them. Before we move on to Sonya, is there anything you'd want to comment on there? And nothing, nothing to add on that one.

Right. Umm, I think another person asking maybe this is directed at usonia, see pace loan interest rates have been higher than normal debt. Do you see that changing as interest rates continue to rise? Well, I don't see that necessarily changing actually you know it's fixed rate. So you know typically where the land where I am in is floating rate debt. So if you look at fixed rate C pace loans which you know are outstanding for 20 to 30 years, they actually
look very attractive right now in this you know rising interest rate environment in the in the US so Umm, you know they look pretty attractive compared to floating rate debt. I think sometimes they can even be lower at this point than floating rates in your debt. Currently. And perhaps Katie, this was a question more directed towards you, but what certifications are most desired for development companies as it relates to ESG and NET 0 carbon purposes? Umm. It's interesting because they're, you know, they know, they're really. For us, we've done a lot of the lead certifications or building healthy certifications now with operating net zero, there isn't really just like a certification for that, so. I actually think it's good in some ways that you know, allows us to have innovative ideas in terms of how we're going to approach it and how we're going to design the buildings. So we and Charleston, we're looking at different Energy Star level ratings, for example, but there isn't like a particular certification outside of kind of the standard ones that we've been that we plan to use. That's helpful. And and Daniel, I think this question was for you. Could you provide any other examples of transitional risks other than eliminating gas from buildings? Other than gods, I mean I guess it would be you know making sure that your building is is energy efficient to begin with. So making sure that Umm I mean there's there's many different risks. So one is is operational risk. So making sure that you're being efficient around temperature settings starting to stop time of certain equipment in your building and just having that done correctly and and and and and efficient and there's risks around you know the. Um, ability to to preserve energy in your building. So the envelope of your building and and making sure that you're insulating your building in the best way so that
you don't have to use as much energy. So there's, there's you know those are a couple energy procurement
at the end of the day as well.
You know, electrification from green and renewable sources, so there's
quite a few.
And I guess this is another question I would open up to the group and and see if you have any thoughts around, Umm, another question, how do you stay competitive and highly unregulated markets where there aren't climate or other transition goals while maintaining your own target?
I guess I can touch on that. I and I think in some sense I I have touched on this and that you know we have a mandate company wide. So whether no matter what market we're at we are in and what regulations like this is what we're going to do. So even though you know may not be required in Texas or may not be required in South Carolina like we're trying to to go beyond what's required and be more industry leaders.
And again, I think another maybe as we're wrapping up here a question for the the full panel. How do you think about training and upskilling, upskilling your leaders within your company so they understand some of the things that we've talked about today recognizing to Daniel's point earlier sort of the the sense of urgency that's needed here?
I can just quickly say I mean I think it's, it's, it's, it's a very fast move. You know, their urgency is also part of the fact that they it's a fast moving.
I'm pleased to be in, in terms of the SG with many new tools and information that that are being provided. So I would say it's an ongoing discussion with a formal forum to bring the C-Suite up to speed as well. I would say that fortunately it means we have the full, the full years of of the C-Suite with respect to SG and it is one of the priorities for the firm. But I do think that is
because it is moving quickly.
It does require constant discussion.
Yeah, I, I, I'll just chime in. I, I'm constantly collaborating with our head of ESD or sustainability who basically has very periodic calls internally within within business groups to educate them on on issues that are out there. And then she's also educating up to the C-Suite and to board members. So there's there is a requirement for constant dialogue with all employees of the company.
And for us I mean we're I think we're going beyond just this with these we we're trying to make sure every employee knows what's going on and this is educated as possible. So we have company wide calls you know it could be monthly or every couple months. But to talk about issues such as the sustainability and and our goals and and why it's important and what we're doing and then try to give updates on projects and I mean we use you know teams. We're like enter company sharing given our markets or across the country, we just think it's important that we're sharing the best practices. And you know for a project manager in Denver is working on a project and has questions, you know that they're reaching out to people in Snowmass and and Charleston. So we all know what's going on and I think just sharing lessons learned is is a huge benefit and something we need to keep doing.
Thank you all. Well, I really want to I think to that point where I'm going to hand it back to Marta here so we can wrap things up. But thank you all. Appreciate all of your insights and and comments today. I just want to echo there and say thank you to Ferguson partners for sponsoring this report. Thank you, Sarah. Thank you to your company and thank you to Daniel and Sonia and Katie for your tremendous input today. For all of our listeners, we have recorded this webinar. The slides will be shared on Dualized Knowledge Finder website.
Shortly after the webinar completes with the recording. So feel free to take a look there. You'll also get an e-mail follow up as soon as it's ready with the link to take a survey to provide some feedback on this webinar itself. So as a reminder you Li. Dot org slash sustainability outlook. Please download, breed, share and have a good one everyone. Thank you.

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