Webinar

Decarbonize NOW | Webinar 3: Putting It All Together: Compliance and Reporting to Better Your Portfolio

Date: November 12, 2024

00:00:00 --> 00:00:00:	All right.
00:00:00 --> 00:00:03:	Thank you everyone for joining today's webinar.
00:00:03 --> 00:00:05:	I think we can get started.
00:00:06 --> 00:00:07:	My name is Marta Schantz.
00:00:07 --> 00:00:10:	I'm your moderator for today in the series of three
00:00:10 --> 00:00:13:	webinars put on by ULI Northwest and its Programs Committee
00:00:13 --> 00:00:18:	around the Inflation Reduction Act, strategic financing and compliance Decarbonize.
00:00:18 --> 00:00:22:	Now our first thing to share with you all is
00:00:22 --> 00:00:25:	the agenda for today so we can move on to
00:00:25 --> 00:00:29:	the next slide and talk through our our plan for
00:00:30 --> 00:00:31:	the webinar.
00:00:31 --> 00:00:34:	I'll start with introductions and then we'll have a handful
00:00:34 --> 00:00:37:	of a pretty brief speaker presentations on the carrots and
00:00:37 --> 00:00:39:	sticks of building decarbonization.
00:00:39 --> 00:00:42:	In this series of webinars put on by ULI Northwest,
00:00:42 --> 00:00:45:	we started with an overview of the Inflation Reduction Act
00:00:45 --> 00:00:48:	tax provisions went pretty detailed on that.
00:00:48 --> 00:00:51:	From there, we had a, a professor from Johns Hopkins
00:00:51 --> 00:00:54:	University share with us the financial spreadsheet like how to,
00:00:55 --> 00:00:57:	how to put this into a pro forma, how do
00:00:57 --> 00:01:00:	you make these green finance provisions help your, your spreadsheets.
00:01:01 --> 00:01:04:	And today we're closing out with this broader contextual discussion
00:01:04 --> 00:01:06:	around these carrots and sticks.
00:01:06 --> 00:01:10:	The sticks being regulations, policy requirements and the

carrots being
00:01:10 --> 00:01:14: the Inflation Reduction Act, tax provisions as well as a
00:01:14 --> 00:01:17: number of other carrots in the market today.
00:01:18 --> 00:01:21: From there, we will have a discussion with some of
00:01:21 --> 00:01:23: the panelists and then we'll go into audience Q&A.
00:01:24 --> 00:01:27: Now we have a slight technical challenge where our first
00:01:27 --> 00:01:29: presenter is not yet able to log in.
00:01:29 --> 00:01:34: So not exactly sure what to do about that.
00:01:34 --> 00:01:37: Thank you all for your patience in this very human
00:01:37 --> 00:01:39: versus robot challenge that we're facing.
00:01:42 --> 00:01:45: Let's see if Cliff is able to join and if
00:01:45 --> 00:01:50: not, then then we'll pull in Anna to start first.
00:01:50 --> 00:01:52: But just so you all know who's presenting today, we
00:01:52 --> 00:01:56: have Cliff, Cliff Majergic with the Institute for Market Transformation.
00:01:57 --> 00:01:59: We have Anna Waldron with Moss Adams, Chris Forney with
00:01:59 --> 00:02:02: Bright Work Sustainability, and Jesse Stanley with KBKG.
00:02:05 --> 00:02:08: So since we don't yet have Cliff Anna, we are,
00:02:08 --> 00:02:12: we're pulling you forward to talk through some compliance side
00:02:12 --> 00:02:16: of, of the Inflation Reduction Act and and compliance even
00:02:16 --> 00:02:19: more so of, of a number of these regulations and
00:02:19 --> 00:02:22: standards that we're seeing across the country.
00:02:22 --> 00:02:22: Take it away.
00:02:23 --> 00:02:26: Yeah, as I'm happy to dive in and good afternoon
00:02:26 --> 00:02:26: everyone.
00:02:26 --> 00:02:29: It's really a a pleasure to be with you today.
00:02:29 --> 00:02:32: I'll say as an auditor, I, I fully recognize that
00:02:32 --> 00:02:36: my role aligns with the stick in the carrots and
00:02:36 --> 00:02:38: stick analogy that Marta mentioned.
00:02:39 --> 00:02:41: But just have a brief time today.
00:02:41 --> 00:02:44: And during that, I wanted to talk a little bit
00:02:44 --> 00:02:48: about the key reasons why as an assurance provider, I'm
00:02:48 --> 00:02:52: seeing companies increasingly required to engage in ESG reporting.
00:02:52 --> 00:02:55: And I see this goes beyond voluntary actions kind of
00:02:55 --> 00:02:58: aimed at reaping the benefits that you've talked about from
00:02:58 --> 00:03:00: things like the Inflation Reduction Act.
00:03:00 --> 00:03:03: And I'll just be touching kind of briefly on the
00:03:03 --> 00:03:06: evolving landscape of ESG regulations.
00:03:06 --> 00:03:08: And just what I see is most relevant to companies
00:03:08 --> 00:03:11: is in my role as an ESG assurance provider.
00:03:11 --> 00:03:14: And let's see if I'm not sure I can progress

00:03:14 --> 00:03:17: this slide, do you mind heading to the next slide
00:03:17 --> 00:03:18: and one more as well.
00:03:20 --> 00:03:22: So before I begin, I just wanted to take a
00:03:22 --> 00:03:24: moment to introduce Moss Adams.
00:03:25 --> 00:03:28: We are proud to be the 15th largest professional services
00:03:28 --> 00:03:29: firm in the nation.
00:03:29 --> 00:03:32: We're also the largest firm headquartered in the Western United
00:03:32 --> 00:03:33: States.
00:03:34 --> 00:03:38: Our our services really span across accounting, consulting and wealth
00:03:39 --> 00:03:39: management.
00:03:39 --> 00:03:42: And for the past 20 years or so, we've been
00:03:42 --> 00:03:47: dedicated to providing both third party assurance and consulting services
00:03:47 --> 00:03:48: in the ESG space.
00:03:48 --> 00:03:51: I got my start in the industry as a financial
00:03:51 --> 00:03:54: statement auditor and I do continue to divide my time
00:03:54 --> 00:03:57: between our financial statement audit practice as well as our
00:03:57 --> 00:04:00: kind of growing ESG assurance practice.
00:04:00 --> 00:04:02: Next slide, please.
00:04:03 --> 00:04:06: So with that context in mind, I think it's important
00:04:06 --> 00:04:10: to recognize how companies are getting pulled into ESG reporting
00:04:10 --> 00:04:14: and really through my work providing assurance over reports for
00:04:15 --> 00:04:18: ESG matters, I've listed here some of the primary drivers
00:04:18 --> 00:04:20: for the clients that I work with.
00:04:21 --> 00:04:24: In the interest of time today, I was just going
00:04:24 --> 00:04:27: to cover this last bullet here on the mandatory reporting
00:04:27 --> 00:04:30: regulations, so we can move on to the next slide.
00:04:32 --> 00:04:36: I'm just going to very, very briefly run through regulation
00:04:36 --> 00:04:37: updates.
00:04:37 --> 00:04:40: Lots more information on the slides that's available for you
00:04:40 --> 00:04:43: to spend some more time with after this session if
00:04:43 --> 00:04:46: you find that these regulations may be applicable to your
00:04:46 --> 00:04:47: organization.
00:04:47 --> 00:04:51: But first regulation I wanted to talk about that's important
00:04:51 --> 00:04:54: to be aware of is California Senate Bill 253, which
00:04:54 --> 00:04:57: is known as the Climate Corporate Data Accountability Act.
00:04:58 --> 00:05:01: This bill scopes in companies that have over a billion
00:05:01 --> 00:05:05: dollars in annual revenue and have operations in California.
00:05:06 --> 00:05:10: And that operations in California is not formally defined in

00:05:10 --> 00:05:14: the bill that people are generally looking at the State
00:05:14 --> 00:05:18: of California Franchise Task Tax Board's definition and which I
00:05:18 --> 00:05:21: will say is a fairly low threshold.
00:05:21 --> 00:05:24: So it's very possible that you may find yourself in
00:05:24 --> 00:05:27: scope for this regulation even if you don't have a
00:05:27 --> 00:05:29: significant California business presence.
00:05:30 --> 00:05:32: I'll jump to the next slide.
00:05:33 --> 00:05:35: So what does this bill do?
00:05:35 --> 00:05:39: It requires companies that fall within its scope to publicly
00:05:39 --> 00:05:44: report their greenhouse gas emissions, and this actually includes Scope
00:05:45 --> 00:05:47: one, Scope 2, and Scope 3 categories.
00:05:48 --> 00:05:52: In addition to reporting your greenhouse gas emissions, companies are
00:05:52 --> 00:05:55: also required to have those emissions verified by an independent
00:05:55 --> 00:05:56: auditor annually.
00:05:57 --> 00:06:01: And companies are going to be required to report on
00:06:01 --> 00:06:05: their greenhouse gas emissions, scope one and scope 2 starting
00:06:05 --> 00:06:06: in 2026.
00:06:06 --> 00:06:10: That'll be based on 2025 reporting year and then scope
00:06:10 --> 00:06:14: 3 emissions annually starting the following year.
00:06:14 --> 00:06:17: So 2027 based on 2026 activity.
00:06:18 --> 00:06:23: There was some initial discussions from California's governor about maybe
00:06:23 --> 00:06:25: pushing out the timing of the Senate bill.
00:06:26 --> 00:06:29: However, I'll say recent news has pointed to this maybe
00:06:29 --> 00:06:32: looking unlikely and it it may be that the original
00:06:32 --> 00:06:33: timeline stands.
00:06:33 --> 00:06:36: So just a couple of years to get this implemented
00:06:36 --> 00:06:37: if you're in scope.
00:06:38 --> 00:06:39: Next slide please.
00:06:40 --> 00:06:43: And then the sister bill to Senate Bill 253 is
00:06:43 --> 00:06:47: California Senate Bill 261 and this is known as the
00:06:47 --> 00:06:49: Climate Related Financial Risk Act.
00:06:49 --> 00:06:53: If you find yourself in scope for Senate Bill 261
00:06:53 --> 00:06:56: and that would mean you have annual revenues exceeding 500
00:06:56 --> 00:07:00: million and then again that threshold of having operations in
00:07:00 --> 00:07:01: California.
00:07:02 --> 00:07:07: This bill requires companies to report their climate related financial

00:07:07 --> 00:07:11: risks publicly and that's on or before January 1st, 2026
00:07:11 --> 00:07:14: and then the reporting is biannually after that.
00:07:15 --> 00:07:16: Next slide please.
00:07:17 --> 00:07:20: If you're a covered entity for 261, you will need
00:07:20 --> 00:07:23: to prepare a report that's made available on your public
00:07:23 --> 00:07:27: website that covers your company's climate related risks that are
00:07:27 --> 00:07:31: reasonably likely to have a material impact on your business.
00:07:32 --> 00:07:37: Unlike 253, there's not an explicit requirement for external assurance
00:07:37 --> 00:07:38: over this.
00:07:38 --> 00:07:41: Reporting, however, may still be prudent to engage a third
00:07:41 --> 00:07:44: party just to reduce the risk of reporting inaccurate or
00:07:44 --> 00:07:46: misstated information publicly.
00:07:47 --> 00:07:50: And in the wake of these two California Senate bills,
00:07:50 --> 00:07:53: kind of what we've seen with California in general, they're
00:07:53 --> 00:07:54: leading the way.
00:07:54 --> 00:07:55: Other states are following.
00:07:55 --> 00:07:59: We do see similar bills starting to come from Washington
00:07:59 --> 00:08:04: State, Minnesota, Illinois and New York with others expected to
00:08:04 --> 00:08:05: follow down the road.
00:08:06 --> 00:08:08: Next slide, please.
00:08:09 --> 00:08:12: And then I'm sure many of you have been following
00:08:12 --> 00:08:16: the developments surrounding the SEC climate disclosure rules kind of
00:08:16 --> 00:08:18: been a saga unfolding over the past 2 1/2 years.
00:08:19 --> 00:08:22: The latest update here is that that final ruling was
00:08:22 --> 00:08:25: released in March of this year, 2024.
00:08:25 --> 00:08:30: Instantaneously, several lawsuits were filed challenging that ruling and that's
00:08:30 --> 00:08:33: prompted the SEC to voluntarily stay the effective date of
00:08:33 --> 00:08:34: that rule.
00:08:34 --> 00:08:37: We're really in a waiting period right now, just awaiting
00:08:37 --> 00:08:40: the outcomes of these legal challenges before we know if
00:08:40 --> 00:08:42: they'll be any impact to the final rule or its
00:08:42 --> 00:08:43: effective dates.
00:08:45 --> 00:08:47: You can pass through the next couple of slides.
00:08:47 --> 00:08:51: Just wanted to leave you with some additional information about
00:08:51 --> 00:08:53: the SEC ruling, but did want to call out despite
00:08:53 --> 00:08:57: the postponement of the ruling, I do see a significant
00:08:57 --> 00:09:01: number of public companies that are proactively preparing for this

00:09:01 --> 00:09:01: ruling.
00:09:01 --> 00:09:04: And even if you are not a publicly traded company,
00:09:04 --> 00:09:08: there is some indirect impact that I'm seeing as many
00:09:08 --> 00:09:12: public companies are starting to incorporate clauses into their supplier
00:09:12 --> 00:09:17: agreements that are mandating greenhouse gas emissions reporting as well
00:09:17 --> 00:09:21: as commitments to reduce the carbon footprint for non public
00:09:21 --> 00:09:22: company suppliers.
00:09:23 --> 00:09:26: And so as I mentioned, this is just a super
00:09:26 --> 00:09:29: high level update, but I did just want to kind
00:09:29 --> 00:09:32: of leave with you the thought that the landscape of
00:09:32 --> 00:09:36: ESG regulations is, is pretty rapidly evolving.
00:09:36 --> 00:09:38: We see a lot of change in the last two
00:09:38 --> 00:09:38: years even.
00:09:39 --> 00:09:42: And even if your organization isn't directly in scope for
00:09:42 --> 00:09:46: these regulations, we are seeing some fundamental shifts in the
00:09:46 --> 00:09:51: reporting practices and stakeholder expectations that are likely to have
00:09:51 --> 00:09:54: an impact on how your reporting in the ESG world.
00:09:54 --> 00:09:57: So if you have any questions, you've got my contact
00:09:57 --> 00:10:00: information and I'm looking forward to having the conversation the
00:10:00 --> 00:10:01: rest of the panel.
00:10:01 --> 00:10:01: Thank you.
00:10:02 --> 00:10:02: Fantastic.
00:10:03 --> 00:10:04: Thank you, Anna.
00:10:04 --> 00:10:08: It is, it is remarkable how many of these regulations,
00:10:08 --> 00:10:13: whether they're countrywide or state specific affects the real estate
00:10:13 --> 00:10:15: sector in in a very meaningful way.
00:10:16 --> 00:10:17: So thank you for that.
00:10:17 --> 00:10:20: We'll get more into into the the sticks of things
00:10:20 --> 00:10:22: in the discussion at the moment.
00:10:22 --> 00:10:24: Cliff has made it on to you on to our
00:10:24 --> 00:10:27: webinar, thank goodness, through his phone.
00:10:27 --> 00:10:29: So I'll pass it over to Cliff to speak to
00:10:29 --> 00:10:32: you as some additional sticks for us all to consider.
00:10:49 --> 00:10:50: Cliff, I think you're muted.
00:10:50 --> 00:10:52: If you wouldn't mind checking that on your on your
00:10:52 --> 00:10:53: audio.
00:10:53 --> 00:10:53: Can you hear me now?

00:10:55 --> 00:10:56: Yes, wonderful.
00:10:56 --> 00:10:57: OK.
00:10:58 --> 00:10:59: All right.
00:10:59 --> 00:11:01: Can you share my first slide?
00:11:02 --> 00:11:02: It's up.
00:11:03 --> 00:11:03: Awesome.
00:11:03 --> 00:11:04: Thank you.
00:11:05 --> 00:11:06: Next slide, please.
00:11:06 --> 00:11:09: So my name's Cliff Majerzic with the Institute for Market
00:11:09 --> 00:11:09: Transformation.
00:11:09 --> 00:11:12: I'm in Washington, DC and we are the leading group
00:11:12 --> 00:11:14: focused on building performance standards.
00:11:15 --> 00:11:17: So what is a building performance standard?
00:11:18 --> 00:11:21: Well, it's a requirement that applies to all buildings, not
00:11:21 --> 00:11:24: just new buildings, not just buildings that are being sold
00:11:24 --> 00:11:25: or pulling building permits.
00:11:25 --> 00:11:29: It's applying to all buildings over a certain size and
00:11:29 --> 00:11:33: typically that's buildings over 20 to 50,000 square.
00:11:33 --> 00:11:35: The are subject to a building performance standard.
00:11:36 --> 00:11:39: So it it can move the entire built environment to
00:11:40 --> 00:11:43: requiring higher levels of performance.
00:11:43 --> 00:11:47: And it's based on objective measures of performance, like things
00:11:47 --> 00:11:50: that you can figure out from looking at a gas
00:11:50 --> 00:11:52: and electric meter.
00:11:52 --> 00:11:56: And they all rely on the Energy Star system, which
00:11:56 --> 00:11:59: creates A1 to 100 score and an apples to apples
00:11:59 --> 00:12:02: comparison of similar buildings.
00:12:02 --> 00:12:05: So this is a way that jurisdictions around the country
00:12:06 --> 00:12:10: are measuring how well buildings are performing next slide, and
00:12:10 --> 00:12:14: requiring that buildings meet minimum levels of performance.
00:12:14 --> 00:12:19: So building performance standards can yield deep retrofits across a
00:12:19 --> 00:12:24: broad swath of buildings of the existing building stock.
00:12:24 --> 00:12:27: Typically, jurisdictions are only seeing 1 to 2% of their
00:12:27 --> 00:12:31: building stock changing each year in terms of new construction.
00:12:32 --> 00:12:34: And so this is moving the needle much more quickly
00:12:34 --> 00:12:38: than, say, a building code which complements a building performance
00:12:38 --> 00:12:41: standard, but only applies when people are holding building permits.

00:12:43 --> 00:12:46: Also, jurisdictions have too little money to actually pay for
00:12:46 --> 00:12:48: the improvements directly themselves.
00:12:49 --> 00:12:52: So these laws are requiring building owners to invest their
00:12:52 --> 00:12:53: own money in their own buildings.
00:12:54 --> 00:12:58: And these are creating value, creating improvements to the value
00:12:58 --> 00:12:59: of those buildings.
00:12:59 --> 00:13:04: And building performance standards, when properly designed, provide a long
00:13:04 --> 00:13:08: term view into how the building will need to perform.
00:13:08 --> 00:13:11: So if these jurisdictions in many cases are looking to
00:13:11 --> 00:13:14: building owners to put in say heat pumps to improve
00:13:14 --> 00:13:18: the performance of their buildings and to electrify their buildings,
00:13:18 --> 00:13:20: a heat pump can last 20 or more years.
00:13:20 --> 00:13:23: The building owner wants to have some certainty that that
00:13:23 --> 00:13:26: investment is going to put them on path to comply
00:13:26 --> 00:13:28: over the term of the life of that equipment.
00:13:29 --> 00:13:32: And so a a well designed building performance standard provides
00:13:32 --> 00:13:35: that terms of that kind of long term visibility into
00:13:35 --> 00:13:37: the requirements for the building and it can provide a
00:13:37 --> 00:13:39: comprehensive approach.
00:13:39 --> 00:13:42: So it can require improvement across multiple levels.
00:13:43 --> 00:13:46: We haven't yet seen it, but IMT has a Model
00:13:46 --> 00:13:50: Law that includes water efficiency and indoor air quality in
00:13:50 --> 00:13:55: addition to climate performance in terms of energy and greenhouse
00:13:55 --> 00:13:56: gas emissions.
00:13:56 --> 00:13:57: Next slide.
00:13:57 --> 00:14:01: So these building performance standards are already in place in
00:14:01 --> 00:14:03: jurisdictions across the country.
00:14:03 --> 00:14:07: This is a map that shows both benchmarking and transparency
00:14:08 --> 00:14:11: laws, which are shown in the orange and the blue
00:14:11 --> 00:14:16: and the green, and building performance standards, which are shown
00:14:16 --> 00:14:17: in purple.
00:14:17 --> 00:14:21: So jurisdictions that have building performance standards also have benchmarking
00:14:21 --> 00:14:22: and transparency laws.
00:14:22 --> 00:14:24: The two sort of go hand in hand.
00:14:24 --> 00:14:27: You're requiring that people have to measure and disclose

how
00:14:27 --> 00:14:30: well their buildings are performing, and then the building performance
00:14:30 --> 00:14:33: standard goes the extra step of requiring that they meet
00:14:33 --> 00:14:34: minimum levels of performance.
00:14:34 --> 00:14:35: Next slide.
00:14:36 --> 00:14:39: So on this map you see in green those jurisdictions
00:14:39 --> 00:14:44: that already have building performance standards and it's, you know,
00:14:44 --> 00:14:48: the most notable ones nationally are and the earliest ones
00:14:48 --> 00:14:52: were Washington DC and New York City and Washington State
00:14:52 --> 00:14:53: in the Pacific Northwest.
00:14:54 --> 00:14:57: In addition to Washington State, you have most recently Seattle
00:14:57 --> 00:15:01: and also the state of Oregon, which have building performance
00:15:01 --> 00:15:02: standards in place.
00:15:02 --> 00:15:06: So these are major drivers of the need for building
00:15:06 --> 00:15:10: owners to improve the performance of their buildings and they
00:15:10 --> 00:15:12: have major financial consequences.
00:15:12 --> 00:15:14: And that that's where they are now.
00:15:14 --> 00:15:18: The blue jurisdictions are jurisdictions that have joined the White
00:15:18 --> 00:15:21: House's National Building Performance Standard Coalition.
00:15:21 --> 00:15:23: So they are committed to adopting it in the next
00:15:23 --> 00:15:27: few years, either building performance standards or other laws that
00:15:27 --> 00:15:29: put them on path to building performance standards.
00:15:30 --> 00:15:32: And so if if you don't already have a building
00:15:32 --> 00:15:35: performance standard where your buildings are now, you may well
00:15:35 --> 00:15:35: soon.
00:15:35 --> 00:15:38: So it's a good idea to future proof your portfolio
00:15:38 --> 00:15:41: by improving the performance now building it into your your
00:15:41 --> 00:15:42: capital planning.
00:15:42 --> 00:15:42: Next slide.
00:15:44 --> 00:15:48: So the building performance standard impact, it can be huge
00:15:48 --> 00:15:52: in New York City alone, obviously the largest city, but
00:15:52 --> 00:15:55: just one city, $20 billion is the market opportunity for
00:15:55 --> 00:16:00: service providers that are looking to help existing buildings improve
00:16:00 --> 00:16:05: their performance to comply with their building performance

standard, which
00:16:05 --> 00:16:07: is local on 97 by the 20-30 deadline.
00:16:07 --> 00:16:10: So that's a a huge driver of investment and this
00:16:10 --> 00:16:13: is creating jobs at every skill level within New York.
00:16:13 --> 00:16:14: Next slide.
00:16:16 --> 00:16:19: So this is maybe hard for you to read and
00:16:19 --> 00:16:23: I can answer questions about it later on, but this
00:16:23 --> 00:16:25: is zeroing in on the Pacific Northwest.
00:16:26 --> 00:16:30: So we see that Washington State's the minimum building size
00:16:30 --> 00:16:34: that's subject to these laws is 20,000 square feet.
00:16:34 --> 00:16:37: It's the same across the board in in Washington, Seattle
00:16:37 --> 00:16:37: and Oregon.
00:16:38 --> 00:16:41: The first deadline, because Washington was adopted first in 2019,
00:16:41 --> 00:16:43: has the earliest deadline.
00:16:43 --> 00:16:46: The first deadline for actual performance is in 2025 S
00:16:46 --> 00:16:49: buildings over 220,000 square feet.
00:16:49 --> 00:16:53: Their performance is gonna be evaluated starting next year.
00:16:53 --> 00:16:56: It won't have to be reported until 2026 the the
00:16:56 --> 00:17:00: 2025 performance, but they're gonna be expected to have improved
00:17:00 --> 00:17:02: performance next year.
00:17:02 --> 00:17:06: And in Seattle it's 2030 and in Oregon it's 2027.
00:17:06 --> 00:17:09: And again each in each case they're reporting that performance
00:17:09 --> 00:17:11: the year following the year of performance.
00:17:12 --> 00:17:15: In Oregon and Washington, they have a fairly similar building
00:17:15 --> 00:17:17: performance standards.
00:17:17 --> 00:17:20: The Oregon 1 was modeled largely on the Washington one,
00:17:20 --> 00:17:23: and they're still doing rule making in Oregon, but they
00:17:23 --> 00:17:27: focus on energy efficiency, site energy use intensity, whereas in
00:17:28 --> 00:17:31: Seattle they focus on greenhouse gas intensity, trying to drive
00:17:31 --> 00:17:34: out fossil fuels from the building in part.
00:17:34 --> 00:17:37: And buildings in Seattle need to comply with both the
00:17:37 --> 00:17:40: Seattle and the Washington State Building performance standards.
00:17:41 --> 00:17:45: And then in terms of consequences, it's a lot higher
00:17:45 --> 00:17:48: in Seattle then in the states.
00:17:48 --> 00:17:50: In Seattle, you're talking about $10 per square foot.
00:17:50 --> 00:17:54: In the states, you're talking about $1.00 per square foot
00:17:54 --> 00:17:55: plus $5000 per fraction.

00:17:56 --> 00:17:59: So significant, especially in Seattle, significant consequences.

00:18:00 --> 00:18:02: And all this information is at the URL at the

00:18:02 --> 00:18:02: bottom.

00:18:03 --> 00:18:03: Thank you.

00:18:05 --> 00:18:06: Fantastic.

00:18:06 --> 00:18:07: Thank you.

00:18:07 --> 00:18:09: If I have time, I can talk about sort of

00:18:09 --> 00:18:11: takeaways, but we can cover that in Q&A if we

00:18:11 --> 00:18:12: have that side.

00:18:13 --> 00:18:13: That sounds terrific.

00:18:13 --> 00:18:17: Let's let's jump back to those takeaways for for service

00:18:17 --> 00:18:19: providers and building owners in the Q and AII am

00:18:19 --> 00:18:23: sufficiently awake when it comes to these these consequences, these

00:18:23 --> 00:18:27: building performance standards, the state and national regulations are on

00:18:27 --> 00:18:28: reporting.

00:18:29 --> 00:18:30: What's our silver lining here, Chris?

00:18:30 --> 00:18:33: We've got Chris Forney with Brightworks Sustainability to talk through

00:18:33 --> 00:18:36: what compliance means and how to maybe draw some value

00:18:36 --> 00:18:36: out of that.

00:18:39 --> 00:18:40: Hi everyone.

00:18:40 --> 00:18:41: Thanks for having us.

00:18:41 --> 00:18:44: Bright Work Sustainability is a consultancy with 20 years of

00:18:44 --> 00:18:49: experience working nationally with green building and corporate sustainability implementation.

00:18:49 --> 00:18:53: So the perspective we're bringing is around wherever hits the

00:18:54 --> 00:18:57: road, your projects and your portfolios.

00:18:57 --> 00:19:01: So let's go ahead and dig in Next slide, some

00:19:01 --> 00:19:06: of the reactions to the sticks that we've heard about

00:19:06 --> 00:19:11: both from the ESG reporting and carbon disclosure requirements that

00:19:11 --> 00:19:15: are coming down the pipe through the SEC and with

00:19:15 --> 00:19:22: local and jurisdictional building performance standards, those are hitting real

00:19:22 --> 00:19:24: projects in real time.

00:19:24 --> 00:19:27: And New York is a great example that has been

00:19:27 --> 00:19:30: at the front of the curve and implementation.

00:19:31 --> 00:19:35: Here we're seeing an example property where the orange bar

00:19:36 --> 00:19:41: shows the utility data targets or rather the actual emissions

00:19:41 --> 00:19:44: and the bar to the right has the targets and

00:19:44 --> 00:19:48: those targets get successfully harder over time.
00:19:49 --> 00:19:51: And you can see the take away in in this
00:19:51 --> 00:19:54: example is the property may have to pay fine starting
00:19:54 --> 00:19:55: in 20-30.
00:19:55 --> 00:20:00: So our clients are taking this opportunity through analysis.
00:20:00 --> 00:20:04: To understand their buildings, their building performance and their client
00:20:04 --> 00:20:05: risk vulnerabilities.
00:20:06 --> 00:20:09: Because frankly, if you go upstream in the value chain
00:20:09 --> 00:20:14: of investors who have commitments to decarbonize their portfolio, it's
00:20:14 --> 00:20:17: going to become a risk to real estate asset owners.
00:20:17 --> 00:20:21: And when they go to liquidate those assets, how valuable
00:20:21 --> 00:20:25: they are to how many different investors, those that are
00:20:25 --> 00:20:29: going to be encumbered with penalties are not going to
00:20:29 --> 00:20:30: be as valuable.
00:20:31 --> 00:20:35: So it behooves property developers and owners to start paying
00:20:35 --> 00:20:40: attention to those requirements now and find strategic opportunities to
00:20:40 --> 00:20:41: decarbonize.
00:20:43 --> 00:20:45: Go ahead and go to the next slide.
00:20:46 --> 00:20:50: An example of how that plays out in especially existing
00:20:51 --> 00:20:53: assets is to leverage incentives.
00:20:53 --> 00:20:58: There are a lot of state incentives, especially utility district
00:20:58 --> 00:21:02: incentives that pay for and kind of take the edge
00:21:02 --> 00:21:07: off of technologies like heat pumps, lighting, installation, all kinds
00:21:07 --> 00:21:09: of different technologies.
00:21:10 --> 00:21:14: And of course, going through a cost benefit analysis to
00:21:14 --> 00:21:17: not only look at what the payback might be for
00:21:17 --> 00:21:22: those types of improvements, but also with incentives and the
00:21:22 --> 00:21:25: carbon savings, which right now is kind of a for
00:21:25 --> 00:21:28: a lot of owners aside analysis.
00:21:28 --> 00:21:34: But because of SEC regulatory compliance portfolio targets and municipal
00:21:34 --> 00:21:39: building performance standards that pay back in that ROI, we're
00:21:39 --> 00:21:44: starting to filter in and factor the penalties, which start
00:21:45 --> 00:21:48: to make the return on investment much faster.
00:21:50 --> 00:21:51: Next slide.
00:21:52 --> 00:21:55: And those incentives won't be around forever.

00:21:55 --> 00:21:57: And so use them while you can.
00:21:58 --> 00:22:03: There are other tools in the toolbox, for example, property
00:22:03 --> 00:22:08: assessed clean energy pace financing and C pace corporate pace
00:22:08 --> 00:22:13: financing that you can get capital funding low long term
00:22:13 --> 00:22:16: rate that covers the improvements.
00:22:16 --> 00:22:22: And this is especially useful for capital intensive improvements, whether
00:22:22 --> 00:22:28: that be central plant boilers, chillers, whole envelope renovations.
00:22:29 --> 00:22:32: So for more capital intensive investments, there is a defined
00:22:33 --> 00:22:34: underwriting methodology.
00:22:34 --> 00:22:39: And as the image here describes from pace equity, the
00:22:40 --> 00:22:45: pace component takes up a portion of the mezzanine financing
00:22:45 --> 00:22:50: usually at a lower rate and can provide just another
00:22:50 --> 00:22:56: edge in developing a competitive pro forma for your projects.
00:22:57 --> 00:22:58: Next slide please.
00:23:01 --> 00:23:03: Now we have been focused a lot on scope one
00:23:03 --> 00:23:07: and two emissions, but from a corporate reporting standpoint and
00:23:07 --> 00:23:11: increasingly from a regulatory standpoint, scope 3 emissions are incredibly
00:23:11 --> 00:23:11: important.
00:23:12 --> 00:23:16: Whether that be the embodied carbon of your projects or
00:23:16 --> 00:23:20: whether that scope three may include loads, scope one and
00:23:20 --> 00:23:24: two that are outside of your typical ownership.
00:23:24 --> 00:23:29: So your tenants and yeah, at least square footage that
00:23:29 --> 00:23:33: you may not have great access to their actual reporting
00:23:33 --> 00:23:37: data, but over time that is going to be an
00:23:37 --> 00:23:40: accountability that that does get included.
00:23:41 --> 00:23:46: But as it pertains to building materials, we're seeing some
00:23:46 --> 00:23:51: of the first building code requirements Calgary and Part 11
00:23:51 --> 00:23:54: where there are three options.
00:23:54 --> 00:23:56: One is to reuse a building.
00:23:56 --> 00:24:00: Option 2 is to perform a whole building life cycle
00:24:00 --> 00:24:05: analysis and option 3 is to collect environmental product declarations
00:24:05 --> 00:24:07: for your highest impact products.
00:24:08 --> 00:24:12: And next slide, this is a look at what that
00:24:12 --> 00:24:17: analysis turns out, which is a profile of where the
00:24:17 --> 00:24:20: embodied carbon is in your materials.
00:24:21 --> 00:24:26: And a 10% reduction is what's required by the California
00:24:26 --> 00:24:27: legislation.

00:24:28 --> 00:24:33: And we're seeing other legislation being looked at and passed

00:24:33 --> 00:24:35: in other jurisdictions as well.

00:24:36 --> 00:24:37: Next slide.

00:24:38 --> 00:24:41: So in terms of the takeaways, how to think about

00:24:42 --> 00:24:46: this strategically and not just being chased by requirements, but

00:24:46 --> 00:24:51: actually proactively seeking the carbon data of your portfolio to

00:24:51 --> 00:24:53: make more strategic decisions.

00:24:53 --> 00:24:58: It starts with developing organizational boundaries that clearly define and

00:24:58 --> 00:25:00: how to account for it according to the criteria that

00:25:01 --> 00:25:04: Anna shared and to align it with your financial reporting.

00:25:04 --> 00:25:08: Because ultimately that does over time, hopefully, if you're proactive,

00:25:08 --> 00:25:11: improve the value of your assets and those investments.

00:25:12 --> 00:25:17: There are lots of industry best practices in terms of

00:25:17 --> 00:25:23: some of the alphabet soup of voluntary frameworks, whether that

00:25:23 --> 00:25:29: be RES science based targets, SPTIPCAF, they provide protocols for

00:25:29 --> 00:25:30: that accounting.

00:25:31 --> 00:25:35: But the number one, number two issues that we're running

00:25:35 --> 00:25:38: into are just getting the data, whether it be the

00:25:38 --> 00:25:43: energy performance of your building and your tenants or of

00:25:43 --> 00:25:44: your Scope 3 emissions.

00:25:46 --> 00:25:50: And it's really hard to drive down reductions and demonstrate

00:25:50 --> 00:25:53: those reductions if you're just using estimated data.

00:25:53 --> 00:25:56: So also improving the quality of that data.

00:25:57 --> 00:25:59: That's that's what we're seeing in sort of a balanced

00:26:00 --> 00:26:03: risk management approach for clients encountering these carrots and sticks.

00:26:08 --> 00:26:11: And yeah, looking forward to answering your questions.

00:26:11 --> 00:26:16: My contact information and these slides will be available.

00:26:17 --> 00:26:17: Terrific.

00:26:17 --> 00:26:18: Thank you, Chris.

00:26:18 --> 00:26:21: It, it is helpful to to understand these additional carrots

00:26:21 --> 00:26:24: that, that exist in the market, whether they're financial mechanisms,

00:26:24 --> 00:26:26: utility incentives or otherwise.

00:26:28 --> 00:26:30: Sometimes it's just so easy to get overwhelmed with the,

00:26:31 --> 00:26:34: the vastness of the challenge of, of decarbonization, the regulations,

00:26:34 --> 00:26:37: the rules, the reporting, the everything to, to break it
00:26:37 --> 00:26:39: down in that way is is quite helpful.
00:26:41 --> 00:26:44: Now, last but certainly not least, Jesse Stanley with KPKG
00:26:44 --> 00:26:47: will speak to the the inspirational carrot that started this
00:26:47 --> 00:26:50: whole webinar series, the Inflation Reduction Act.
00:26:51 --> 00:26:52: So with that, Jesse, please take it away.
00:26:53 --> 00:26:54: Wonderful.
00:26:54 --> 00:26:55: Yeah.
00:26:55 --> 00:26:58: Happy to be talking about kind of basing this landscape.
00:26:58 --> 00:27:01: What are things that are available and exist to help
00:27:01 --> 00:27:05: maybe either soften the blow or encourage more of these
00:27:05 --> 00:27:07: activities happening in the future?
00:27:07 --> 00:27:11: So we're going to cover 17 ID, 45 L and
00:27:11 --> 00:27:13: ITC Section 48 tax credits.
00:27:17 --> 00:27:21: So I am principal here at KBKG, licensed professional engineer
00:27:21 --> 00:27:25: by background and have been in the industry nearly 20
00:27:25 --> 00:27:29: years helping various buildings hit their sustainability goals and then
00:27:29 --> 00:27:33: the last decade or so helping taxpayers in various forms
00:27:33 --> 00:27:35: take advantage of these incentives.
00:27:37 --> 00:27:40: And there's a lot of slides here just for those
00:27:40 --> 00:27:43: in the audience at this is going to be reference
00:27:43 --> 00:27:45: material so you can go back to this.
00:27:45 --> 00:27:48: We're not going to cover all this, but hopefully this
00:27:48 --> 00:27:51: can be a helpful resource to you after the fact.
00:27:51 --> 00:27:56: So KBKG, we are an independent speciality specialty tax firm.
00:27:56 --> 00:28:00: We partner with CPA firms, real estate developers, architecture firms,
00:28:00 --> 00:28:02: engineering firms on their projects.
00:28:03 --> 00:28:06: We're not ACPA, so we partner with Cpas across the
00:28:06 --> 00:28:06: United States.
00:28:08 --> 00:28:13: Additionally, we have services and cost segregation research and development
00:28:13 --> 00:28:14: as well.
00:28:14 --> 00:28:16: And we're again nationwide.
00:28:19 --> 00:28:20: So we're going to start with this and then we're
00:28:20 --> 00:28:21: going to come back to this image.
00:28:21 --> 00:28:25: But this is the idea of really stacking these incentives.
00:28:25 --> 00:28:30: So this is an affordable housing development that took advantage
00:28:30 --> 00:28:33: of over $500,000 of 45 L tax credits, over $300,000

00:28:33 --> 00:28:37: of once, and 90 tax deductions, as well as Section
00:28:37 --> 00:28:40: 48 tax credits for their solar panels and their EV
00:28:40 --> 00:28:41: chargers.
00:28:41 --> 00:28:44: So if you're doing these things, you're upgrading your building
00:28:44 --> 00:28:48: or you're building a new building, taking advantage of these
00:28:48 --> 00:28:51: available incentives, that can be a fantastic thing to do
00:28:51 --> 00:28:52: to soften the blow.
00:28:53 --> 00:28:55: So we'll start by talking about 179 D.
00:28:55 --> 00:29:00: This is the energy efficient commercial building tax deduction and
00:29:00 --> 00:29:04: it's available as accelerated depreciation in the commercial real estate
00:29:04 --> 00:29:09: space and as a deduction available to architecture firms, engineering
00:29:09 --> 00:29:13: firms that design buildings for government and now nonprofits.
00:29:13 --> 00:29:17: Has a long history all the way back in 2005
00:29:17 --> 00:29:21: was very was temporary and was made permanent in 2020
00:29:21 --> 00:29:25: and heavily expanded in the Inflation Reduction Act.
00:29:27 --> 00:29:31: So it's now open to commercial developers, government owned buildings
00:29:31 --> 00:29:35: and nonprofit buildings can allocate the tax deductions to the
00:29:35 --> 00:29:39: architecture and engineering partners that design their buildings.
00:29:39 --> 00:29:43: So this has really brought applications across the commercial real
00:29:43 --> 00:29:46: estate space as well as across the design space for
00:29:46 --> 00:29:49: folks that are helping to further energy efficiency in governmental
00:29:50 --> 00:29:51: buildings and nonprofit buildings.
00:29:53 --> 00:29:56: There is a provision that requires the use of prevailing
00:29:56 --> 00:29:57: wage and apprentices.
00:29:58 --> 00:30:00: However, there's also a safe harbor.
00:30:00 --> 00:30:03: So there's some grandfathering of a couple years of buildings
00:30:04 --> 00:30:07: to allow this benefit to exist and it's higher deduction
00:30:07 --> 00:30:09: amount without the use of of prevailing wages.
00:30:11 --> 00:30:14: And then the benefit amount is up to and north
00:30:15 --> 00:30:18: of $5 per square foot of commercial building space.
00:30:19 --> 00:30:22: So we can see some really large tax deductions for
00:30:22 --> 00:30:26: your commercial buildings that you're renovating or that you are
00:30:26 --> 00:30:26: designing.
00:30:32 --> 00:30:34: If you happen to be an architecture firm or an

00:30:34 --> 00:30:38: engineering firm, taking advantage of an allocation letter is critical.
00:30:39 --> 00:30:41: They're typically first come, first serve.
00:30:41 --> 00:30:45: So if you're in that category is worth reaching out
00:30:45 --> 00:30:48: and figuring out what is this, how do we take
00:30:48 --> 00:30:52: advantage of it, how do we receive this benefit through
00:30:52 --> 00:30:57: the Inflation Reduction Act, the benefit amounts got much more
00:30:57 --> 00:31:02: attractive for one 790 post Inflation Reduction Act benefit increasing
00:31:02 --> 00:31:06: from around $1.80 per square foot to north of $5
00:31:06 --> 00:31:07: per square foot.
00:31:08 --> 00:31:12: And additionally, the benefit is now on a sliding scale,
00:31:12 --> 00:31:16: so you can achieve substantial dollars for a building that's
00:31:16 --> 00:31:21: 25% higher than an energy baseline ratcheting up all the
00:31:21 --> 00:31:24: way to a 50% savings reduction and a 50% and
00:31:24 --> 00:31:25: a a $5 benefit.
00:31:25 --> 00:31:31: So much more attractive for developers and building designers.
00:31:32 --> 00:31:35: An example of what that looks like, you know, three
00:31:35 --> 00:31:38: 500,000 square foot buildings that were completed and put into
00:31:38 --> 00:31:41: service in 2022 would have had a $2.8 million tax
00:31:41 --> 00:31:43: deduction available to them.
00:31:43 --> 00:31:48: Those same buildings post Inflation Reduction Act finishing one year
00:31:48 --> 00:31:52: later meeting the exact same energy standards, would have over
00:31:52 --> 00:31:55: $7.5 million of tax deductions available to them.
00:31:56 --> 00:31:59: So if you're a developer, this is something that can
00:31:59 --> 00:32:00: be pretty impactful.
00:32:01 --> 00:32:08: Architecture engineer, absolutely worth pursuing this a quick summary slide
00:32:08 --> 00:32:14: of 1790 before the Inflation Reduction Act and after.
00:32:15 --> 00:32:17: One last thing to note here is that 1790 can
00:32:17 --> 00:32:20: now be reclaimed up to every three years as a
00:32:20 --> 00:32:24: developer and it can be reallocated up to every four
00:32:24 --> 00:32:26: years as a government or nonprofit building.
00:32:27 --> 00:32:31: So this has really dramatic application for when you're thinking
00:32:31 --> 00:32:34: about long term renovations to buildings that are getting more
00:32:34 --> 00:32:36: and more energy efficient.
00:32:36 --> 00:32:42: 1790 can be used at each of those renovation cycles

00:32:42 --> 00:32:51: to help encourage more energy efficient buildings and break candidates.

00:32:53 --> 00:32:57: And now we'll talk briefly about 45 L, so big

00:32:57 --> 00:32:59: news to know here.

00:32:59 --> 00:33:02: The benefit amount increased up to $5000 per unit and

00:33:03 --> 00:33:07: additionally, the other big news is that the three story

00:33:07 --> 00:33:09: limit has been removed.

00:33:09 --> 00:33:11: So if you are a developer of single family homes

00:33:11 --> 00:33:15: or mid rise or high rise residential, this is something

00:33:15 --> 00:33:18: that you should be thinking about and looking into.

00:33:19 --> 00:33:23: Additionally, there is no longer a basis reduction required for

00:33:23 --> 00:33:25: low income housing.

00:33:25 --> 00:33:28: So if you're an affordable housing developer, 45 L is

00:33:28 --> 00:33:30: going to be your best friend.

00:33:30 --> 00:33:32: So that's the really big take away to be thinking

00:33:32 --> 00:33:32: about.

00:33:32 --> 00:33:36: If you're in the affordable housing space or you're doing

00:33:36 --> 00:33:41: mid rise or high rise residential buildings, again, you'll see

00:33:41 --> 00:33:44: here big check mark for affordable housing developers.

00:33:46 --> 00:33:52: And now briefly, other energy credits for a section 48.

00:33:52 --> 00:33:54: So if you're doing any of these things on your

00:33:54 --> 00:33:58: building or you're thinking about doing them, there may be

00:33:58 --> 00:34:02: an additional available tax credit for those, whether it's geothermal

00:34:02 --> 00:34:05: PV or you know, dynamic glass, any of these things,

00:34:05 --> 00:34:08: there may be additional benefits available to you.

00:34:10 --> 00:34:14: It's going to change over time, but so more slides

00:34:14 --> 00:34:15: here to look at.

00:34:16 --> 00:34:18: There's a lot here, but this again, is another incentive

00:34:19 --> 00:34:21: available if you're using some of these technologies.

00:34:22 --> 00:34:25: So this goes back to to where we started when

00:34:25 --> 00:34:29: we look at that case study for that affordable housing

00:34:29 --> 00:34:29: project.

00:34:30 --> 00:34:33: If you're doing these things, if you're upgrading a building,

00:34:33 --> 00:34:36: you purchased a building, you want to renovate it, or

00:34:36 --> 00:34:39: if you're building a new construction building, you should be

00:34:39 --> 00:34:42: looking at and assessing what are the available tax credits

00:34:42 --> 00:34:45: and tax deductions that are available to me or to

00:34:45 --> 00:34:48: my client for making this building more energy efficient.

00:34:50 --> 00:34:53: And looking forward to kind of discussing this in more

00:34:53 --> 00:34:55: detail in our discussion section.

00:35:00 --> 00:35:01: Right, Fantastic.

00:35:01 --> 00:35:03: Thank you so much, Jesse.

00:35:03 --> 00:35:05: Great to get that recap in terms of those key
00:35:05 --> 00:35:10: tax provisions with the Inflation Reduction Act and and particularly
00:35:10 --> 00:35:13: which firms are best poised to take advantage of them
00:35:13 --> 00:35:15: at what point for how much money.
00:35:15 --> 00:35:17: I I liked those tables.
00:35:17 --> 00:35:19: I hope, I hope everyone else on the on the
00:35:19 --> 00:35:20: webinar did as well.
00:35:21 --> 00:35:23: Now, one of the, one of the things that that
00:35:23 --> 00:35:26: came up as we were thinking about all of these
00:35:26 --> 00:35:31: different carrots and sticks when it comes to building decarbonization
00:35:31 --> 00:35:34: is around the, the cost benefit of making these improvements,
00:35:34 --> 00:35:35: right?
00:35:35 --> 00:35:39: We're, we're thinking about building performance standards and SEC reporting
00:35:39 --> 00:35:43: compliance and utility incentives and Inflation reduction Act carrots, green
00:35:43 --> 00:35:44: finance potential.
00:35:45 --> 00:35:46: There's a lot of different elements here.
00:35:46 --> 00:35:50: But when we're thinking about that cost benefit discussion, that
00:35:51 --> 00:35:54: decision making transition risk becomes a lot more than just
00:35:54 --> 00:35:56: regulations, right?
00:35:56 --> 00:35:59: We're thinking about climate risk, we're thinking about resilience, we're
00:35:59 --> 00:36:02: thinking about occupant health, we're thinking about financial benefits to
00:36:02 --> 00:36:04: the building operations and and value.
00:36:04 --> 00:36:06: Does anyone want to chime in on that broader cost
00:36:06 --> 00:36:09: benefit and where you're seeing that in the market today?
00:36:14 --> 00:36:15: Chris, go ahead.
00:36:17 --> 00:36:17: Yeah.
00:36:17 --> 00:36:22: We're we're seeing clients that are strategizing around the benefit,
00:36:22 --> 00:36:26: they are looking at their assets as investments and a
00:36:26 --> 00:36:30: lot of these value propositions are playing into their long
00:36:30 --> 00:36:33: term asset value creation strategy.
00:36:33 --> 00:36:38: So by leveraging incentives to improve the properties and get
00:36:38 --> 00:36:43: them closer to performing at the targets that the market
00:36:43 --> 00:36:48: is anticipating toward net zero and 0 carbon, they are
00:36:48 --> 00:36:52: looking to capitalize off of that value creation.
00:36:53 --> 00:36:57: Because there's this notion that in the future, those

properties
00:36:57 --> 00:37:01: will be required to make improvements to be 0 carbon
00:37:01 --> 00:37:05: and the cost to make those improvements in the future
00:37:06 --> 00:37:09: is going to be greater than the cost that they
00:37:09 --> 00:37:10: are today.
00:37:11 --> 00:37:14: That's sort of economics one O 1.
00:37:15 --> 00:37:19: So using incentives in this time to both help ease
00:37:19 --> 00:37:25: the learning curve of sometimes adopting and deploying new strategies,
00:37:25 --> 00:37:30: new technologies also just to give that competitive edge to
00:37:30 --> 00:37:34: the pro forma and get a debt stack that just,
00:37:34 --> 00:37:39: yeah, optimizes the the net operating income and the return
00:37:39 --> 00:37:44: on investment that that's where we're seeing clients find the
00:37:44 --> 00:37:45: best success.
00:37:47 --> 00:37:48: Great.
00:37:48 --> 00:37:49: Cliff, you want to chime in next?
00:37:50 --> 00:37:50: Sure.
00:37:50 --> 00:37:52: Yeah, I, I would agree with what we just heard
00:37:52 --> 00:37:55: from Chris and I'd add that, you know, beyond, you
00:37:55 --> 00:37:59: know, reducing risk and reducing the needs to disclose potential
00:37:59 --> 00:37:59: liabilities.
00:38:00 --> 00:38:02: There's very much an upside in terms of right now,
00:38:02 --> 00:38:05: especially in like the office sector where where we have
00:38:05 --> 00:38:08: high vacancy rates in broad section of the country, you
00:38:08 --> 00:38:11: have a real flight to quality where the tenants are
00:38:11 --> 00:38:14: wanting to move to the buildings that are the best
00:38:14 --> 00:38:14: buildings.
00:38:14 --> 00:38:16: They're having a hard time getting their employees to come
00:38:16 --> 00:38:17: back to work.
00:38:17 --> 00:38:19: They want to go to a place where the employees
00:38:19 --> 00:38:21: are going to feel good about going.
00:38:21 --> 00:38:24: And so that's, that's the usual things, it's amenities and
00:38:24 --> 00:38:28: it's location, but it's also having a high performing building
00:38:28 --> 00:38:30: that where the employees can feel good about being in
00:38:30 --> 00:38:33: a green building and being in a healthy building.
00:38:33 --> 00:38:36: So it makes more sense than ever to invest in
00:38:36 --> 00:38:40: repositioning your building to be able to attract the best
00:38:40 --> 00:38:43: tenants and and retain those tenants.
00:38:43 --> 00:38:46: And also, you know, you don't want to lock yourself
00:38:47 --> 00:38:49: in to you don't want to invest in say a
00:38:49 --> 00:38:52: new furnace or boiler that's going to last for 20
00:38:53 --> 00:38:53: plus years.

00:38:54 --> 00:38:56: And in that time there's a very good chance, one,
00:38:56 --> 00:38:58: the market's telling you that they want you to perform
00:38:58 --> 00:38:59: better.
00:38:59 --> 00:39:01: Your tenants and investors are telling you that.
00:39:01 --> 00:39:03: But also there's a very good chance there could be
00:39:03 --> 00:39:07: building performance standard or some other requirement that's going to
00:39:07 --> 00:39:09: make you really regret making that investment.
00:39:09 --> 00:39:12: So looking at your all of your investment plans, your
00:39:12 --> 00:39:15: capital planning cycle with an eye to, you know, future
00:39:15 --> 00:39:18: proofing your portfolio is going to be the way to
00:39:18 --> 00:39:18: go.
00:39:18 --> 00:39:21: And, and I think increasingly investors are going to be
00:39:21 --> 00:39:24: expecting that and punishing those who don't do that.
00:39:25 --> 00:39:26: We'll go Jesse and then Anna.
00:39:26 --> 00:39:29: But real quickly for folks in the in the audience,
00:39:29 --> 00:39:31: we do have an open Q&A box.
00:39:31 --> 00:39:33: So while we've got a number of topics that we
00:39:33 --> 00:39:35: can discuss amongst ourselves, if you all have questions in
00:39:35 --> 00:39:38: the audience, please think on those, put them in the
00:39:38 --> 00:39:40: Q&A box and we'll get to those momentarily.
00:39:40 --> 00:39:40: Jesse.
00:39:41 --> 00:39:43: Yeah, love the earlier comments.
00:39:43 --> 00:39:46: I would say that in the post IRA world that
00:39:46 --> 00:39:49: the tax incentives that we talked about as a part
00:39:49 --> 00:39:52: of this are not large enough to themselves be a
00:39:52 --> 00:39:56: a reason for a renovation or something to that effect.
00:39:56 --> 00:39:59: But they can really lessen the blow if something is
00:39:59 --> 00:40:02: already planned to be done and they can kind of
00:40:02 --> 00:40:03: enhance the financial.
00:40:05 --> 00:40:09: Outlook of of those upgrades specific to in the commercial
00:40:09 --> 00:40:12: real estate side to that comment on on the flight
00:40:12 --> 00:40:13: equality.
00:40:13 --> 00:40:15: These are things that if you have a tenant need
00:40:15 --> 00:40:18: for this already, you might as well be taking advantage
00:40:18 --> 00:40:20: of these programs and systems that are in place.
00:40:21 --> 00:40:24: And I would say that is that is extra important
00:40:24 --> 00:40:28: if you're building or designing a building in a region
00:40:28 --> 00:40:32: that that is required to use prevailing wage and apprentices,
00:40:32 --> 00:40:35: then these are even really even better programs.
00:40:35 --> 00:40:38: And so especially in the state of Washington, this is
00:40:38 --> 00:40:41: something that folks should absolutely have in mind.

00:40:41 --> 00:40:44: It was really designed for for these applications.
00:40:45 --> 00:40:46: Terrific.
00:40:46 --> 00:40:46: And Anna?
00:40:47 --> 00:40:50: Yeah, I guess my perspective is obviously from the background
00:40:50 --> 00:40:53: of kind of the the state and federal regulations, but
00:40:54 --> 00:40:56: I think, you know what I've covered, it's just a
00:40:56 --> 00:40:58: little bit of a tip of the iceberg.
00:40:58 --> 00:41:01: I think we're definitely moving in that direction.
00:41:01 --> 00:41:04: And some of the fees associated with, you know, not
00:41:04 --> 00:41:07: complying with these regulations are pretty significant.
00:41:07 --> 00:41:11: You know SB 253 I think is up to half
00:41:11 --> 00:41:15: $1,000,000 a year for the miss compliance.
00:41:15 --> 00:41:18: So you know these things take time to to put
00:41:18 --> 00:41:18: in place.
00:41:18 --> 00:41:21: You can't turn around and decide you're going to report
00:41:21 --> 00:41:23: on your greenhouse gas and have that ready to roll
00:41:23 --> 00:41:25: out in a couple of weeks.
00:41:25 --> 00:41:28: So I think you know there is a significant cost
00:41:28 --> 00:41:31: of of sitting on kind of some of these regulations
00:41:31 --> 00:41:34: that are coming down the Pike and not starting to
00:41:34 --> 00:41:35: take action on those.
00:41:37 --> 00:41:38: Absolutely.
00:41:39 --> 00:41:42: One thing that was interesting Cliff, that you noted is
00:41:42 --> 00:41:45: the, the difference in a number of these building performance
00:41:45 --> 00:41:49: standards even just across the Pacific Northwest where some are
00:41:49 --> 00:41:52: energy use intensity EUI based, some are carbon emissions GHG
00:41:52 --> 00:41:53: based.
00:41:53 --> 00:41:58: And that is complicated, especially when you think about how
00:41:58 --> 00:42:01: a utility grid can have an impact on the, the
00:42:01 --> 00:42:03: carbon emissions of a building.
00:42:04 --> 00:42:06: So what's, what's everyone's take on that?
00:42:06 --> 00:42:09: We think about hydro, we think about other considerations.
00:42:09 --> 00:42:11: Where does that put the State of play Cliff?
00:42:12 --> 00:42:16: Well, I think that we need to be looking forward-looking.
00:42:16 --> 00:42:18: We're putting in policies that are going to be in
00:42:18 --> 00:42:19: place for many years.
00:42:19 --> 00:42:21: And when you want to look to the future, I
00:42:21 --> 00:42:23: think sometimes it's helpful to look to California, which is
00:42:23 --> 00:42:25: ahead of the rest of the country and things like
00:42:25 --> 00:42:26: renewable adoption.

00:42:26 --> 00:42:31: And there you have problems beginning, you're beginning to have

00:42:31 --> 00:42:34: problems where you have a lot of solar and that

00:42:34 --> 00:42:36: creates a duct curve situation.

00:42:36 --> 00:42:39: Some of you may have heard of that term, but

00:42:39 --> 00:42:42: where you have lots of solar generation on sunny days

00:42:42 --> 00:42:45: in the middle of the day got no problems.

00:42:45 --> 00:42:48: But then going towards evening, the sun is setting, the

00:42:48 --> 00:42:52: solar generation is going down, but people are getting home

00:42:52 --> 00:42:55: and they're turning on air conditioners and other electric manning

00:42:55 --> 00:42:56: appliances.

00:42:56 --> 00:42:59: And then you have a mismatch between the availability of

00:42:59 --> 00:43:02: clean energy and the need for electricity.

00:43:02 --> 00:43:06: And so building performance standards are probably going to have

00:43:06 --> 00:43:09: to follow that and move towards thinking about time of

00:43:09 --> 00:43:10: use and time of generation.

00:43:11 --> 00:43:14: And certainly that is not compatible with things like renewable

00:43:14 --> 00:43:17: energy certificates which are not time based their annual.

00:43:17 --> 00:43:20: So we're probably going to see in the shorter term

00:43:20 --> 00:43:23: the most common metric is what you have in Washington

00:43:24 --> 00:43:27: state and and Oregon, which is energy use intensity, which

00:43:27 --> 00:43:30: is not by any means perfect, but but at least

00:43:30 --> 00:43:33: it it doesn't have annualized wrecks that are sort of

00:43:34 --> 00:43:35: throwing off the calculations.

00:43:36 --> 00:43:39: And you do have places like Maryland that are using

00:43:39 --> 00:43:43: both energy use intensity and on site greenhouse gas emissions

00:43:43 --> 00:43:46: to drive both decarbonization of buildings.

00:43:46 --> 00:43:49: And if do that efficiently with like heat pumps instead

00:43:49 --> 00:43:52: of electric resistance heat, which is bad for electric bills

00:43:52 --> 00:43:55: and bad for your tenants and bad for the grid.

00:43:55 --> 00:43:58: So yeah, that's a a long winded answer.

00:43:58 --> 00:44:01: But I I think the future is going to be

00:44:01 --> 00:44:05: having building performance damage work in concert with programs and

00:44:05 --> 00:44:09: utility rate tariffs and other things to move the market

00:44:09 --> 00:44:13: towards reducing electric loaded peak times and decarbonizing buildings.

00:44:19 --> 00:44:23: To add on that, we see this market adoption curve

00:44:23 --> 00:44:28: or this growing awareness of clients who some are just

00:44:29 --> 00:44:36: entering this situation not really understanding how their

buildings perform.
00:44:36 --> 00:44:39: And so the first thing they're encountering is collecting their
00:44:39 --> 00:44:42: utility bills, bills and just trending the data on their
00:44:43 --> 00:44:46: buildings to actually find out how they are performing.
00:44:47 --> 00:44:50: And those that are very, very late to the game
00:44:50 --> 00:44:53: are going to be doing so under duress because they're
00:44:53 --> 00:44:57: going to be doing so in response to legislation and
00:44:57 --> 00:44:57: penalties.
00:44:58 --> 00:45:02: Those that are taking a proactive approach or even those
00:45:02 --> 00:45:06: who eventually do cross that threshold, What happens is you
00:45:06 --> 00:45:09: learn a lot about how your buildings perform and you
00:45:09 --> 00:45:14: find opportunities to improve performance, which usually means improved cost,
00:45:14 --> 00:45:18: reducing energy costs and improving net operating income.
00:45:19 --> 00:45:23: And so just using this rubric to improve the management
00:45:23 --> 00:45:28: of buildings is a huge opportunity because there are lots
00:45:28 --> 00:45:33: of opportunities to, you know, just from the most basic
00:45:33 --> 00:45:37: to reduce operating costs through lower energy costs.
00:45:38 --> 00:45:43: But as the grid gets more sophisticated around time dependent
00:45:43 --> 00:45:49: valuation of the energy that you use, meaning the energy
00:45:49 --> 00:45:53: you use at 5:00 PM is more expensive than the
00:45:53 --> 00:45:55: energy used at 5:00 AM.
00:45:56 --> 00:46:01: By leveraging the operations of your building to use consume
00:46:01 --> 00:46:06: energy at the less expensive times and be even putting
00:46:06 --> 00:46:11: energy back to the grid during the more expensive times.
00:46:12 --> 00:46:14: Those are value generation opportunities.
00:46:14 --> 00:46:18: Those will turn into real revenue for developers that are
00:46:18 --> 00:46:23: positioning their buildings to be acting to be, you know,
00:46:23 --> 00:46:27: proactive agents on the grid and not just passive agents
00:46:27 --> 00:46:28: consuming energy.
00:46:29 --> 00:46:30: Absolutely.
00:46:30 --> 00:46:33: That's such a great point, Chris, this idea of great
00:46:33 --> 00:46:36: interactive buildings that are able to shift their load and
00:46:36 --> 00:46:38: shed demand given the the time of, of use in
00:46:38 --> 00:46:41: the and how dirty or clean the grid is the
00:46:41 --> 00:46:43: time of time of carbon emissions.
00:46:43 --> 00:46:44: I think there's a better word for that.
00:46:44 --> 00:46:47: But to, to be flexible and, and demand flexible when
00:46:47 --> 00:46:50: the grid commands it is, it's very much a, a
00:46:50 --> 00:46:53: value add and something to Cliff's point that that really
00:46:53 --> 00:46:56: helps with future proofing a building success over time as

00:46:57 --> 00:47:00: these regulations are changing, as utility pricing changes, as, as
00:47:00 --> 00:47:02: all of these variables come into play.
00:47:03 --> 00:47:06: Now, Speaking of other variables coming into play, 11 kind
00:47:06 --> 00:47:09: of incentive side of things that we haven't yet spoken
00:47:09 --> 00:47:12: to is around green bonds and green loans.
00:47:12 --> 00:47:16: And, and in addition to CPA's green finance and utility
00:47:16 --> 00:47:20: incentives and IRA tax provisions, green bonds and green loans
00:47:20 --> 00:47:24: are something that the industry has started to see more
00:47:24 --> 00:47:27: of to advanced decarbonization portfolio wide.
00:47:27 --> 00:47:28: Anna, can you speak to what you're seeing on that
00:47:28 --> 00:47:29: front?
00:47:29 --> 00:47:30: Yeah, happy to.
00:47:31 --> 00:47:34: I'd say green bonds, green loans, they've been a hot
00:47:35 --> 00:47:37: topic probably the last five or so years.
00:47:37 --> 00:47:41: 2021 was like a a record green bond issuance year
00:47:41 --> 00:47:44: and the last two years have have had some good
00:47:45 --> 00:47:46: activity as well.
00:47:47 --> 00:47:49: The way that I as ACPA kind of get involved
00:47:49 --> 00:47:52: in the green bond, green loan spaces, we have clients
00:47:52 --> 00:47:55: that have taken advantage of this incentive.
00:47:55 --> 00:47:58: And generally you want to weigh whether it's worth the
00:47:58 --> 00:48:01: administrative burden of, of going through a green bond or
00:48:01 --> 00:48:02: green loan.
00:48:02 --> 00:48:05: There's some additional hoops you need to go through in
00:48:05 --> 00:48:07: order to, to get the benefits.
00:48:07 --> 00:48:10: But if you're able to make that happen, if you've
00:48:10 --> 00:48:14: got a bigger project generally kind of I've heard 25,000,000
00:48:14 --> 00:48:17: is a good baseline for the smallest project that you'd
00:48:17 --> 00:48:20: maybe want to explore going for a green bond.
00:48:20 --> 00:48:23: But did want to call out that green bonds, green
00:48:23 --> 00:48:26: loans are available to corporations and municipalities.
00:48:26 --> 00:48:29: So don't necessarily write up off that this isn't an
00:48:29 --> 00:48:30: option for you.
00:48:30 --> 00:48:33: And a couple of other things I wanted to call
00:48:33 --> 00:48:35: out that are kind of handy now that a couple
00:48:35 --> 00:48:38: of years have gone by with some pretty big green
00:48:38 --> 00:48:39: bond deals.
00:48:39 --> 00:48:43: There's existing frameworks that you're able to leverage that make
00:48:43 --> 00:48:46: the administrative process of getting that set up a little
00:48:46 --> 00:48:47: bit easier.

00:48:48 --> 00:48:51: The CPA part comes in after you've issued your green
00:48:51 --> 00:48:52: bond, your green loan.
00:48:52 --> 00:48:57: Generally there's a requirement to have your spending on that
00:48:57 --> 00:48:59: financing certified.
00:48:59 --> 00:49:01: So I come in behind the fact double check that
00:49:01 --> 00:49:04: the invoices and things that were spent on are in
00:49:04 --> 00:49:08: alignment with that green bond or green loan agreement, but
00:49:08 --> 00:49:11: have seen clients have a lot of success with those
00:49:11 --> 00:49:15: and definitely some big benefits on these bigger projects, some
00:49:15 --> 00:49:19: savings and that definitely overcome the administrative burden.
00:49:20 --> 00:49:21: Perfect.
00:49:23 --> 00:49:27: OK, Jesse, back to the the original inspiration for this
00:49:27 --> 00:49:30: webinar series with the Inflation Reduction Act.
00:49:30 --> 00:49:32: You gave some you gave that great example of the
00:49:32 --> 00:49:32: Houston building.
00:49:32 --> 00:49:36: It's I slightly, you know, honest to say that we're
00:49:36 --> 00:49:40: not seeing as much uptake from ula headquarters, at least
00:49:40 --> 00:49:42: then we thought we would.
00:49:42 --> 00:49:44: It's been 2 years of the Inflation Reduction Act.
00:49:44 --> 00:49:46: We thought there would be a lot more action, a
00:49:47 --> 00:49:50: lot more developers and owners and architects and wreaths across
00:49:50 --> 00:49:52: the board taking advantage of these tax provisions.
00:49:52 --> 00:49:54: What are, where is it working?
00:49:54 --> 00:49:57: Where are you seeing folks actually like having success and
00:49:57 --> 00:49:59: uptake with these provisions?
00:49:59 --> 00:50:01: You, you spoke a little bit to where it could
00:50:01 --> 00:50:02: work well.
00:50:02 --> 00:50:03: Is that where you're seeing more action?
00:50:05 --> 00:50:07: You know, that's a wonderful question.
00:50:07 --> 00:50:10: And I'm, we're seeing the exact same thing and we're
00:50:10 --> 00:50:13: spending the vast majority of, of, of our focus at
00:50:13 --> 00:50:16: KBKG is getting the word out to either developers or
00:50:16 --> 00:50:21: architecture firms, engineering firms that could be benefiting significantly from
00:50:21 --> 00:50:24: the Inflation Reduction Act and just aren't because there's a
00:50:24 --> 00:50:27: lack of information or there were so many other things
00:50:27 --> 00:50:31: happening in that time in America that just it hasn't
00:50:31 --> 00:50:34: reached a lot of these taxpayers and, and business owners.
00:50:36 --> 00:50:39: So in the commercial space, what we're seeing is the

00:50:39 --> 00:50:43: biggest benefit is that we have a really big window
00:50:43 --> 00:50:46: to go backwards as it relates to 1790.
00:50:46 --> 00:50:49: So we're seeing a lot of developers that are finally
00:50:49 --> 00:50:51: learning about this for the first time.
00:50:52 --> 00:50:54: And now we're able to go back on the last
00:50:54 --> 00:50:57: 5-6 years of developments that they've put into service and
00:50:57 --> 00:51:00: get 1790 deductions across their portfolio buildings.
00:51:00 --> 00:51:03: Now they're going to be smaller in the past, we're
00:51:03 --> 00:51:06: still talking about $1.80 per square foot for past projects.
00:51:07 --> 00:51:10: But it's kind of immediate money now to get them
00:51:10 --> 00:51:13: excited about those $5 plus deductions coming down the line.
00:51:15 --> 00:51:18: So that is something that we're seeing across the developer
00:51:18 --> 00:51:20: side that there's a lot of excitement about is kind
00:51:20 --> 00:51:22: of, oh wait, I now know about this and I
00:51:22 --> 00:51:23: can do it today.
00:51:23 --> 00:51:26: And for all of the buildings that I've worked on
00:51:26 --> 00:51:29: and put in the service the last 6-7 years, I
00:51:29 --> 00:51:33: would say in the architecture space, in the engineering space,
00:51:33 --> 00:51:38: this has been really kind of groundbreaking for nonprofit projects.
00:51:38 --> 00:51:41: So architecture firms that have been working on government owned
00:51:41 --> 00:51:45: buildings, hopefully they have heard about once amenity and are
00:51:45 --> 00:51:49: claiming it and claiming these massive tax deductions available to
00:51:49 --> 00:51:49: their firm.
00:51:50 --> 00:51:52: We still find that most often these firms have not
00:51:52 --> 00:51:54: heard about it and are not claiming it.
00:51:56 --> 00:51:59: It's even even more important to take it now when
00:51:59 --> 00:52:04: you think that these nonprofit projects be at hospitals, private
00:52:04 --> 00:52:08: schools, etcetera, can double the number of available projects for
00:52:08 --> 00:52:10: these designer firms to pursue.
00:52:11 --> 00:52:14: So that's where we're seeing more excitement.
00:52:15 --> 00:52:18: But still this is this is underutilized and there needs
00:52:18 --> 00:52:20: to be a lot more education here to get this
00:52:20 --> 00:52:22: in front of people that can take advantage of it
00:52:22 --> 00:52:24: and then be excited about doing it on their next
00:52:24 --> 00:52:26: project, right, which is what we want is them to
00:52:26 --> 00:52:28: say, oh, this was wonderful.
00:52:28 --> 00:52:30: I need to do more of this on the rest

00:52:30 --> 00:52:32: of My Portfolio or on my next project development.
00:52:35 --> 00:52:35: All right.
00:52:36 --> 00:52:38: Now, Cliff, there were two slides in your deck.
00:52:38 --> 00:52:39: Thank you for that, Jesse.
00:52:39 --> 00:52:41: That makes a lot of sense and those are some
00:52:41 --> 00:52:42: real, real highlights.
00:52:42 --> 00:52:44: I like that In your slide deck, Cliff, I think
00:52:44 --> 00:52:46: we're going to pull it up.
00:52:46 --> 00:52:49: There were two slides around some key takeaways for service
00:52:49 --> 00:52:52: providers and building owners that we ought to just remind
00:52:52 --> 00:52:55: folks of as we think about compliance, as we think
00:52:55 --> 00:52:59: about the benefit keyword benefit of these sticks and compliance
00:52:59 --> 00:53:02: with these sticks for for building owners and for service
00:53:02 --> 00:53:03: providers.
00:53:03 --> 00:53:05: Cliff, do you want to briefly speak to these?
00:53:05 --> 00:53:05: Sure.
00:53:06 --> 00:53:07: Yeah, as a building owner, you want to 1st, you
00:53:08 --> 00:53:10: want to know what your potential liability exposure is from
00:53:10 --> 00:53:13: something like a building performance standard and what your potential
00:53:13 --> 00:53:15: to take advantage of these taxes and those other things
00:53:15 --> 00:53:15: are.
00:53:15 --> 00:53:18: And one of the 1st steps you should too is
00:53:18 --> 00:53:19: benchmark your buildings.
00:53:19 --> 00:53:22: Even in some jurisdictions, you've been required to benchmark your
00:53:22 --> 00:53:23: buildings for many years.
00:53:23 --> 00:53:26: But even if you're not required to, you know you
00:53:26 --> 00:53:30: may already be voluntarily benchmarking your buildings at 300,000 buildings
00:53:30 --> 00:53:34: that are benchmarked in Energy Manager, Portfolio Manager and Energy
00:53:34 --> 00:53:35: Star already.
00:53:35 --> 00:53:39: But do that understand how your buildings are performing and
00:53:39 --> 00:53:43: have that inform your all of the following decisions, your
00:53:43 --> 00:53:43: capital plans.
00:53:43 --> 00:53:46: You know, where are you going to be spending your
00:53:46 --> 00:53:47: money to upgrade your buildings?
00:53:47 --> 00:53:50: Anytime you're looking at acquiring an existing building, you're going

00:53:50 --> 00:53:52: to want to have this as part of your due

00:53:52 --> 00:53:53: diligence checklist.

00:53:53 --> 00:53:55: You're going to want to know what the Energy Star

00:53:55 --> 00:53:57: score is, know what the EUI and the greenhouse gas

00:53:57 --> 00:53:58: intensity of these buildings are.

00:53:59 --> 00:54:02: Incorporate that into your checklist and make sure your leases

00:54:03 --> 00:54:05: are positioning you and your tenants to succeed.

00:54:06 --> 00:54:08: You want win, win leases where both of you come

00:54:08 --> 00:54:11: out ahead when the building is performing better and complying

00:54:11 --> 00:54:13: with a building performance standard.

00:54:13 --> 00:54:15: And in fact, you're also going to want to be

00:54:15 --> 00:54:18: able to pass through for your commercial tenants, pass through

00:54:18 --> 00:54:21: some of the consequences of non compliance to those tenants

00:54:21 --> 00:54:23: so that they have skin in the game to work

00:54:23 --> 00:54:24: with you.

00:54:24 --> 00:54:26: Because we know the tenants are a major driver of

00:54:26 --> 00:54:29: energy consumption in buildings and water consumption and other things.

00:54:30 --> 00:54:33: And for your new instruction, you're going to make sure

00:54:33 --> 00:54:36: that whenever you're designing a building that it's going to

00:54:36 --> 00:54:40: have no problem complying with the building performance standard for

00:54:40 --> 00:54:41: decades to come.

00:54:41 --> 00:54:43: So you're going to want to have that in your

00:54:43 --> 00:54:46: RFP or your selection criteria for selecting the design firm,

00:54:46 --> 00:54:48: a good design firm that knows how to design a

00:54:48 --> 00:54:51: very high performance building, that won't be a problem.

00:54:51 --> 00:54:53: But if you come to, if you select A firm

00:54:53 --> 00:54:55: in the normal way and then you come to them

00:54:55 --> 00:54:57: later and say, oh, by the way, we need for

00:54:57 --> 00:54:59: it to perform really well, you could have really expensive

00:54:59 --> 00:55:01: change orders and all kinds of problems.

00:55:02 --> 00:55:05: Your job descriptions, your evaluation for your properties managers and

00:55:05 --> 00:55:07: building engineers, all of that should be making clear that

00:55:08 --> 00:55:10: they are responsible for making this a high performing building

00:55:10 --> 00:55:13: that won't have any problems with a building performance standard.

00:55:13 --> 00:55:17: So that becomes incorporated and you want to make sure

00:55:17 --> 00:55:20: as we've to be accessing all of these sources of
00:55:20 --> 00:55:24: capital, including free capital in some cases to improve your
00:55:24 --> 00:55:25: buildings.
00:55:25 --> 00:55:26: Next slide.
00:55:26 --> 00:55:29: From the service provider perspective, it's very similar.
00:55:29 --> 00:55:32: It's just, you know, your building owners are looking to
00:55:32 --> 00:55:35: you as a source of information about all of this.
00:55:35 --> 00:55:38: And absolutely you should never be doing like an energy
00:55:38 --> 00:55:42: audit and speaking to the payback without factoring in the
00:55:42 --> 00:55:45: fact that if they make these improvements, they are going
00:55:45 --> 00:55:49: to be avoiding liability under a building performance standard.
00:55:49 --> 00:55:53: You also want to highlight things like avoiding having to
00:55:53 --> 00:55:57: disclose climate risk under the SEC and other rules.
00:55:57 --> 00:56:00: You want to make sure that you're presenting long term
00:56:00 --> 00:56:03: solutions to these building owners and not a Band-Aid that
00:56:03 --> 00:56:05: might allow them to comply with the next cycle of
00:56:05 --> 00:56:07: a building performance standard.
00:56:07 --> 00:56:10: But then they're going to be stuck with equipment that
00:56:10 --> 00:56:12: is going to have a 20 year lifespan and they're
00:56:12 --> 00:56:14: going to need to tear it out five years later
00:56:14 --> 00:56:17: to comply with the next building performance cycle.
00:56:17 --> 00:56:19: So you need to have a long term view and
00:56:19 --> 00:56:22: you want to make sure that you're helping your clients,
00:56:22 --> 00:56:25: the building owners, access the federal, state and utility incentives
00:56:25 --> 00:56:26: of loans.
00:56:27 --> 00:56:29: Beautiful Well, I I hope that that we were able
00:56:29 --> 00:56:32: to help set our members and and owners and service
00:56:32 --> 00:56:35: providers up for success with the presentations from our our
00:56:35 --> 00:56:36: fantastic panelists today.
00:56:36 --> 00:56:39: I think we can maybe close out with just a
00:56:39 --> 00:56:41: quick, if there are any parting words from any of
00:56:42 --> 00:56:44: our, our panelists who want to share any, any final
00:56:45 --> 00:56:47: thoughts with our attendees and be before that.
00:56:47 --> 00:56:50: As you all are thinking about those parting words, I'll
00:56:50 --> 00:56:52: just remind folks that this webinar is being recorded and
00:56:52 --> 00:56:53: slides are being shared.
00:56:54 --> 00:56:58: They'll be posted on ULI's knowledge Finder website, knowledge.uli.org within
00:56:58 --> 00:56:59: the next week or two.
00:56:59 --> 00:57:01: And we'll make sure to share them with you all
00:57:01 --> 00:57:02: to benefit in the long term.

00:57:02 --> 00:57:03: All right, Jesse, I see you unmuted.
00:57:03 --> 00:57:06: First, you get the first shot at parting words.
00:57:06 --> 00:57:07: Wonderful.
00:57:08 --> 00:57:10: So I would say that this was a very, very
00:57:10 --> 00:57:13: high level introduction to a lot of these topics.
00:57:14 --> 00:57:16: So my hope is that you get a sense of
00:57:16 --> 00:57:18: excitement and then reach out to to somebody on our
00:57:18 --> 00:57:21: panel to hear more about what we've all been talking
00:57:21 --> 00:57:21: about.
00:57:22 --> 00:57:25: If you are a building owner that has a portfolio
00:57:25 --> 00:57:28: of buildings, this is applicable to you.
00:57:29 --> 00:57:32: If you're an architecture firm, engineering firm that designs these
00:57:32 --> 00:57:33: types of buildings, this is also applicable.
00:57:34 --> 00:57:37: You'll have our constant information in the downloads.
00:57:37 --> 00:57:40: I mean, my website is just www.kbkg.com and you can
00:57:40 --> 00:57:44: find our information specifically, but I'd say if you think
00:57:44 --> 00:57:47: this could apply, it's worth checking to see if it
00:57:47 --> 00:57:50: does because it could be very valuable.
00:57:51 --> 00:57:52: Awesome.
00:57:52 --> 00:57:53: All right, Anna.
00:57:54 --> 00:57:54: Yeah.
00:57:54 --> 00:57:57: I think just if you take nothing else away from
00:57:57 --> 00:58:01: the webinar, just a feeling that there's a lot coming
00:58:01 --> 00:58:02: at you and your business.
00:58:02 --> 00:58:05: There's a lot in the space, There's a lot to
00:58:05 --> 00:58:05: be on top of.
00:58:06 --> 00:58:09: And so just ingraining ESG strategy into your business strategy,
00:58:09 --> 00:58:11: making sure those are lines that you can kind of
00:58:11 --> 00:58:14: be nimble and adapt and happy to have conversations, conversations
00:58:15 --> 00:58:17: with anyone that's interested in, in what that can look
00:58:17 --> 00:58:19: like for their business.
00:58:20 --> 00:58:20: Awesome.
00:58:20 --> 00:58:21: Thank you, Anna, Chris.
00:58:23 --> 00:58:23: Yeah.
00:58:25 --> 00:58:28: My biggest take away to offer is to develop a
00:58:28 --> 00:58:32: strategy to identify the climate related risks with your property
00:58:32 --> 00:58:37: before it's subject to these either market based or jurisdictional
00:58:37 --> 00:58:42: penalties because it will reveal opportunities for value creation and

00:58:42 --> 00:58:43: getting leveraging.
00:58:43 --> 00:58:48: These incentives have been mentioned today from tax credits and
00:58:48 --> 00:58:53: the IRA investment, massive IRA investment to do utility incentives
00:58:53 --> 00:58:57: and and other financial instruments like peace financing and and
00:58:58 --> 00:58:58: green bonds.
00:58:59 --> 00:59:02: Use all the tools in the toolbox to make your
00:59:02 --> 00:59:05: strategy come to fruition because it will create value.
00:59:07 --> 00:59:08: Awesome, Cliff.
00:59:09 --> 00:59:11: I just say time is not on your side.
00:59:11 --> 00:59:11: Don't wait.
00:59:11 --> 00:59:14: You know, this is your opportunity to take advantage of
00:59:14 --> 00:59:16: these incentives that are going to go away.
00:59:16 --> 00:59:19: And it's also don't lock yourself in with putting in
00:59:19 --> 00:59:22: place the wrong long lived equipment, putting in place a
00:59:22 --> 00:59:25: 10 year lease that might misalign incentives between you and
00:59:25 --> 00:59:29: your tenants, or you know, even refinancing your mortgage when
00:59:29 --> 00:59:32: you could use that money to provide the capital you
00:59:32 --> 00:59:33: need to improve your building.
00:59:35 --> 00:59:35: Amazing.
00:59:36 --> 00:59:37: All right, well, thank you again, everyone.
00:59:37 --> 00:59:41: You can find information on the Inflation Reduction Act and
00:59:41 --> 00:59:43: many more things at uli.org/federalfunding.
00:59:43 --> 00:59:46: Thank you to ULI Northwest and and its members for
00:59:46 --> 00:59:49: organizing this webinar series and have a great one everyone.
00:59:49 --> 00:59:50: Thanks again.
00:59:52 --> 00:59:52: Thank you.
