

Webinar

ULI Austin August Breakfast: Building Resilience in Central Texas

Date: August 21, 2024

00:00:00 --> 00:00:03: I'm Michelle Van Hifty, I'm HOK is a sustainable design
00:00:03 --> 00:00:04: leader for resiliency.
00:00:04 --> 00:00:05: I'm an architect.
00:00:05 --> 00:00:08: I've been in Austin for a really long time since
00:00:08 --> 00:00:12: the mid 90s and I'm really thrilled that all of
00:00:12 --> 00:00:13: you are here today.
00:00:14 --> 00:00:17: So welcome to the panel discussion hosted by our strategic
00:00:17 --> 00:00:17: council.
00:00:18 --> 00:00:22: We're going to we focus on hyperlocal challenges and
strategies
00:00:22 --> 00:00:25: for enhancing climate resilience in Central Texas real estate.
00:00:26 --> 00:00:31: Our research has shown that the region's changing climate is
00:00:31 --> 00:00:37: affecting every aspect of the development process from
investment strategies,
00:00:37 --> 00:00:41: codes, insurance design, construction and operations.
00:00:42 --> 00:00:46: Today we're going to explore the impacts of extreme weather
00:00:46 --> 00:00:50: events and climate change on local projects, identify
responses and
00:00:50 --> 00:00:54: adaptation methods from the leaders you see here on the
00:00:54 --> 00:00:54: stage.
00:00:55 --> 00:00:59: They are representatives of the development and financing
communities, and
00:00:59 --> 00:01:03: we're going to discuss solutions to enable more resilient
development
00:01:03 --> 00:01:04: in our region.
00:01:04 --> 00:01:08: We hope you walk away with some actionable insights that
00:01:08 --> 00:01:10: you can use in your work, and it will help
00:01:10 --> 00:01:13: you collaborate with our community to help build a more
00:01:13 --> 00:01:16: resilient built environment in Central TX.
00:01:18 --> 00:01:20: So the slide you see here is the slide that

00:01:20 --> 00:01:22: we start every single one of our meetings with.

00:01:23 --> 00:01:26: The background image is from the UT Austin LBJ School

00:01:26 --> 00:01:27: of Public Affairs.

00:01:28 --> 00:01:31: It is from their study on Austin climate vulnerability.

00:01:32 --> 00:01:34: You can probably tell by the map that the that's

00:01:35 --> 00:01:37: the typical division that you see in Austin.

00:01:37 --> 00:01:39: The blue is on the is on the West side,

00:01:39 --> 00:01:41: the red is on the east side.

00:01:41 --> 00:01:45: And what it demonstrates is that vulnerability is significant.

00:01:46 --> 00:01:50: We have climate vulnerability here in Central TX.

00:01:50 --> 00:01:52: It's not just if you live on a coast near

00:01:52 --> 00:01:54: an ocean or in a hurricane zone.

00:01:54 --> 00:01:55: It's happening right here.

00:01:58 --> 00:01:59: So this is a really fun map.

00:02:00 --> 00:02:01: A little bit of doom and gloom to start the

00:02:01 --> 00:02:02: morning.

00:02:03 --> 00:02:06: This is from just January to July of this year.

00:02:06 --> 00:02:11: The billion dollar disasters related to extreme weather and climate,

00:02:11 --> 00:02:16: drought and heat wave, flooding, hail, hurricane, any kind of

00:02:16 --> 00:02:18: severe weather, tornado, wildfire.

00:02:20 --> 00:02:22: And you know what we've had here in our own

00:02:22 --> 00:02:25: local region, The freezes of the three February's in a

00:02:25 --> 00:02:28: row of the electrical grid going down, the heat waves

00:02:28 --> 00:02:30: and the drought that we're dealing with right now.

00:02:32 --> 00:02:33: So a little bit about this council.

00:02:34 --> 00:02:36: You can see the mix of the membership here.

00:02:37 --> 00:02:41: When we started this council, we sought out the best

00:02:41 --> 00:02:45: and the brightest minds in this topic around our community

00:02:45 --> 00:02:48: and you can see the diverse members that we have

00:02:48 --> 00:02:49: here.

00:02:49 --> 00:02:51: If you are a member of the Strategic Council, please

00:02:51 --> 00:02:52: stand.

00:02:56 --> 00:02:57: Please give them a big round of applause.

00:02:59 --> 00:02:59: All right.

00:03:04 --> 00:03:04: Thank you.

00:03:05 --> 00:03:09: This is the mission statement that we crafted exploring adaptation

00:03:09 --> 00:03:13: and resilience opportunities in the face of these climate change

00:03:13 --> 00:03:17: impacts with the very important last couple of words to

00:03:17 --> 00:03:19: improve lives, to improve our community.

00:03:21 --> 00:03:24: So to level set our discussion, here's some definitions.

00:03:25 --> 00:03:28: This is how we defined these very important terms.
00:03:28 --> 00:03:31: These terms are sometimes loaded.
00:03:31 --> 00:03:34: People bring their different associations to these terms.
00:03:34 --> 00:03:37: We wanted you to know that this is these are
00:03:37 --> 00:03:40: the terms that we have adopted with regard to climate
00:03:40 --> 00:03:41: change adaptation, resilience.
00:03:42 --> 00:03:45: Our region is what ULI Austin considers the region, the
00:03:45 --> 00:03:48: greater Austin area and the built environment is anything
that's
00:03:48 --> 00:03:50: developed that affects our community.
00:03:52 --> 00:03:55: We started looking at factors of climate change and we
00:03:55 --> 00:03:58: broke those factors down into these categories and you can
00:03:58 --> 00:04:00: read these on your own.
00:04:00 --> 00:04:03: But this was our foundation for beginning to explore the
00:04:03 --> 00:04:06: impacts of climate change and weather.
00:04:06 --> 00:04:08: And this has driven our research and our work.
00:04:12 --> 00:04:17: Our research has included thus far an inventory of resources
00:04:17 --> 00:04:22: that can quantify or qualitatively address all of these factors.
00:04:23 --> 00:04:26: In September, we're going to launch a a couple of
00:04:26 --> 00:04:29: tools and a couple of resources on our ULI web
00:04:29 --> 00:04:32: page and there will be a follow up announcement about
00:04:32 --> 00:04:33: that after this event.
00:04:34 --> 00:04:36: So please make sure that you look for that you
00:04:36 --> 00:04:37: check it out.
00:04:37 --> 00:04:40: You'll be surprised how much data is out there and
00:04:40 --> 00:04:42: how much you can learn from what people have already
00:04:43 --> 00:04:45: been doing to address this topic in our community.
00:04:46 --> 00:04:49: And then we conducted what we call some convenings.
00:04:50 --> 00:04:53: ULI convenings are basically interviews or focus groups.
00:04:53 --> 00:04:56: And we collected some ULI Austin members and we asked
00:04:57 --> 00:04:59: them the four questions that you see here.
00:05:00 --> 00:05:05: Today's panel is going to have a discussion that addresses
00:05:05 --> 00:05:09: to some extent these questions, but some questions that
evolved
00:05:09 --> 00:05:13: out of the convenings and what we've learned from the
00:05:13 --> 00:05:14: members.
00:05:15 --> 00:05:20: And finally, here's some resources from ULI/ULI Americas.
00:05:20 --> 00:05:23: And ULI Global has lots of resources about resilience.
00:05:23 --> 00:05:28: The Urban Resilience Program provides reports not only
from ULI,
00:05:28 --> 00:05:32: but from their critical partners on how you can address
00:05:32 --> 00:05:37: these issues and come up with strategies that benefit your
00:05:37 --> 00:05:41: work and your projects and developing resilience.uli.org.

00:05:41 --> 00:05:45: You can search by topic, by climate hazard, by strategy,
00:05:45 --> 00:05:49: and you can look up case studies of projects that
00:05:49 --> 00:05:52: have successfully addressed these issues.
00:05:52 --> 00:05:55: So please check out these resources afterwards.
00:05:56 --> 00:05:56: OK?
00:06:05 --> 00:06:09: We are going to begin our panel discussion with each
00:06:09 --> 00:06:14: one of these brilliant professionals introducing themselves.
00:06:14 --> 00:06:16: Thank you so much for being here this morning.
00:06:17 --> 00:06:17: Welcome.
00:06:17 --> 00:06:20: And could you please tell us a little bit about
00:06:20 --> 00:06:23: your yourself, where you work and what prompted you to
00:06:23 --> 00:06:26: be interested in building resilience in Central TX?
00:06:27 --> 00:06:28: Good morning.
00:06:29 --> 00:06:33: I'm Justin Westmoreland, regional President with Prosperity
Bank here in
00:06:33 --> 00:06:33: town.
00:06:35 --> 00:06:37: You know, I've been in Austin for close to 25
00:06:37 --> 00:06:38: years.
00:06:38 --> 00:06:40: I've been with Prosperity Bank for 19 years, all here
00:06:40 --> 00:06:43: in Austin with a focus really on commercial real estate
00:06:43 --> 00:06:44: financing.
00:06:45 --> 00:06:47: I think, you know what has me and us as
00:06:47 --> 00:06:51: a bank interested in resiliency is the demands coming from
00:06:51 --> 00:06:55: our customers and our clients as it becomes more important
00:06:55 --> 00:06:57: to them and their projects.
00:06:57 --> 00:06:59: We know that we have to learn and understand it
00:06:59 --> 00:07:03: and also understand challenges and opportunities that
they're going to
00:07:03 --> 00:07:04: come from that.
00:07:05 --> 00:07:09: And secondly, you know where we have 250 locations across
00:07:09 --> 00:07:09: the state.
00:07:10 --> 00:07:13: In most of those instances we own that real estate.
00:07:13 --> 00:07:17: So we have a significant built environment that we that
00:07:17 --> 00:07:18: we manage.
00:07:18 --> 00:07:21: Some of those locations are are brand new, some of
00:07:21 --> 00:07:23: those locations are 50 to 100 years old.
00:07:23 --> 00:07:26: So we also want to understand how we kind of
00:07:26 --> 00:07:29: manage that real estate in our own environment in the
00:07:29 --> 00:07:31: face of some of these challenges.
00:07:37 --> 00:07:38: Good morning.
00:07:38 --> 00:07:39: My name is Monster Gori.
00:07:39 --> 00:07:42: I'm the Founder CEO of Petro Space Finance.

00:07:43 --> 00:07:45: We're based right here in Austin as well.

00:07:47 --> 00:07:51: We grew the company pretty quickly, sold it to Apollo

00:07:51 --> 00:07:56: Global Management in January 2022 with the focus of spreading

00:07:56 --> 00:07:57: this nationally.

00:07:57 --> 00:08:01: And so now we're the largest national commercial based lender

00:08:01 --> 00:08:05: in the country and we're kind of continuing to scale

00:08:05 --> 00:08:10: this business with other ancillary products and and platforms are

00:08:10 --> 00:08:13: we're adding to ours as well for one of the

00:08:13 --> 00:08:17: 16 permanent platforms under Apollo and we were purchased to

00:08:17 --> 00:08:22: generate fixed income sustainable assets for their insurance company called

00:08:23 --> 00:08:23: Athene.

00:08:24 --> 00:08:26: The reason why I got into this industry is I

00:08:26 --> 00:08:28: kind of kind of fell into it accidentally.

00:08:29 --> 00:08:32: We were seeing all these extreme weather events happen across

00:08:33 --> 00:08:35: the country and specifically Texas as well.

00:08:37 --> 00:08:40: And we started doing some research, but we found out

00:08:40 --> 00:08:43: that 40% of global emissions comes out of the built

00:08:43 --> 00:08:44: environment.

00:08:45 --> 00:08:49: Yet when we were talking to property owners and developers,

00:08:49 --> 00:08:53: they kept telling us that there was no accretive financing

00:08:53 --> 00:08:56: source to help them, you know, get compelled to do

00:08:56 --> 00:08:57: these projects.

00:08:58 --> 00:08:59: And that's kind of where PACE came in.

00:09:00 --> 00:09:02: It fits exactly what they're trying to do.

00:09:05 --> 00:09:09: Good morning Aaron Nellis Been a commercial real estate developer

00:09:09 --> 00:09:10: my entire career.

00:09:11 --> 00:09:15: My first introduction to resiliency came early in my career

00:09:15 --> 00:09:18: and developing with and for home depots.

00:09:19 --> 00:09:22: Interestingly enough, a long time ago they were all about

00:09:22 --> 00:09:26: extreme weather events and their business model is supporting the

00:09:26 --> 00:09:30: communities that are experiencing extreme weather events.

00:09:30 --> 00:09:34: So their stores were designed to be up and running

00:09:34 --> 00:09:36: immediately following an event.

00:09:36 --> 00:09:38: And so all the planning that you did for that.

00:09:39 --> 00:09:42: And so I was fascinated with that.

00:09:42 --> 00:09:45: They also had a volunteer group that they went into
00:09:45 --> 00:09:48: the eye of the storm so that they could help
00:09:48 --> 00:09:53: the communities prepare for extreme weather events and
then also
00:09:53 --> 00:09:56: come and clean everything up and get the stores open
00:09:56 --> 00:09:57: immediately.
00:09:57 --> 00:10:02: So those stores would support the community and the repairs
00:10:03 --> 00:10:06: and the recovery from those events.
00:10:06 --> 00:10:09: And so I was fascinated with all of that.
00:10:09 --> 00:10:12: And it's just such an early indoctrination.
00:10:12 --> 00:10:15: Now the last 20 years I've been involved in the
00:10:15 --> 00:10:19: commercial and mixed-use components that are involved in
large master
00:10:19 --> 00:10:20: plan communities.
00:10:21 --> 00:10:23: Those projects are 20 plus year projects.
00:10:23 --> 00:10:26: So you're building the cities of the future.
00:10:26 --> 00:10:29: So you have to think about sustainability and resiliency and
00:10:29 --> 00:10:33: everything that you're going to need 20304050 years down
the
00:10:33 --> 00:10:35: road with these large developments.
00:10:35 --> 00:10:37: So that's how all of this has been on my
00:10:37 --> 00:10:38: radar.
00:10:38 --> 00:10:40: So brought me back to Austin.
00:10:40 --> 00:10:41: Austin's a dynamic market.
00:10:41 --> 00:10:41: Now.
00:10:41 --> 00:10:45: I started my career in Central Texas and with Austin's
00:10:45 --> 00:10:46: dynamic Market.
00:10:46 --> 00:10:50: Been back four years and ready to bring Austin into
00:10:50 --> 00:10:51: the future.
00:10:53 --> 00:10:54: Good morning, everybody.
00:10:54 --> 00:10:55: My name is Douglas Kella Land.
00:10:55 --> 00:10:57: It's a real pleasure to be here with you, and
00:10:58 --> 00:10:59: I mean that sincerely.
00:11:00 --> 00:11:03: I'm the managing director for Whisper Valley.
00:11:03 --> 00:11:06: How many people have heard of Whisper Valley in East
00:11:06 --> 00:11:06: Austin?
00:11:06 --> 00:11:07: That's good.
00:11:07 --> 00:11:08: We want the rest of you to know about it
00:11:08 --> 00:11:09: too.
00:11:09 --> 00:11:12: I'm also one of the founders of a company called
00:11:12 --> 00:11:16: Ecosmart Solution, which is an energy providing company on
a
00:11:16 --> 00:11:17: green basis.

00:11:18 --> 00:11:23: So Whispers, AA2000 acre plan community, master plan community.

00:11:23 --> 00:11:25: We're doing some very innovative things out there.

00:11:26 --> 00:11:27: And the reason I like to be a part of

00:11:27 --> 00:11:30: a group like this is that we're all innovators, right?

00:11:30 --> 00:11:34: You wouldn't be here if you weren't willing to change

00:11:34 --> 00:11:35: and to try new ideas.

00:11:35 --> 00:11:39: Oftentimes you can't find an outlet for those ideas.

00:11:39 --> 00:11:43: Oftentimes you learn, but you can't apply The Taurus Investment

00:11:43 --> 00:11:46: Holdings platform that I'm a part of.

00:11:46 --> 00:11:48: It's a global real estate investment group.

00:11:48 --> 00:11:51: We're risk takers and we've never been in a time

00:11:51 --> 00:11:54: when it wasn't more appropriate to be a risk taker

00:11:54 --> 00:11:57: in the land development of business, in the housing industry.

00:11:57 --> 00:11:58: It's changing.

00:11:59 --> 00:12:01: Just go outside today and you know, the climate change

00:12:01 --> 00:12:02: is real.

00:12:03 --> 00:12:05: So it's a great opportunity today to tell you about

00:12:05 --> 00:12:06: Whisper Valley.

00:12:06 --> 00:12:10: Most of the questions that we're going to get today

00:12:10 --> 00:12:14: I'm going to apply to our lived experience in Whisper

00:12:14 --> 00:12:14: Valley.

00:12:14 --> 00:12:18: And hopefully whatever area you're in, if you're an architect,

00:12:18 --> 00:12:22: engineer, planner, work with the municipal group, we can find

00:12:22 --> 00:12:23: a connection.

00:12:24 --> 00:12:27: And I'd love to have follow up discussions with you

00:12:27 --> 00:12:29: to help you go through the transition that we've gone

00:12:29 --> 00:12:32: through and have principles that you can actually apply.

00:12:33 --> 00:12:36: David Curry over here, David, Raise Your Hand is in

00:12:36 --> 00:12:38: charge of our builder relations.

00:12:38 --> 00:12:40: And David and I are sort of on a mission

00:12:40 --> 00:12:43: based on our experience in Whisper Valley.

00:12:43 --> 00:12:46: We're interested in more projects across the country.

00:12:47 --> 00:12:48: So you may think of a project today and say,

00:12:48 --> 00:12:50: hey, that might be cool, let's talk about it.

00:12:51 --> 00:12:53: So I would invite you to follow up with us

00:12:54 --> 00:12:55: after this meeting.

00:12:55 --> 00:12:56: So thank you.

00:12:56 --> 00:12:57: I'm glad to be a part of the panel.

00:12:58 --> 00:12:59: Thank you to each of you.

00:12:59 --> 00:13:01: OK, We're going to dive right into our questions.

00:13:02 --> 00:13:05: This is for all of the panelists with respect to

00:13:05 --> 00:13:07: both developing and financing.

00:13:07 --> 00:13:11: What is your approach to assessing the impacts and managing

00:13:11 --> 00:13:15: the risks associated with the extreme weather events and climate

00:13:15 --> 00:13:16: change?

00:13:16 --> 00:13:19: What critical information or data do you need and where

00:13:19 --> 00:13:20: do you find it?

00:13:22 --> 00:13:25: I think for us, because we are spread out across

00:13:25 --> 00:13:29: the state in many different locations, that answer is different

00:13:29 --> 00:13:31: in different markets, right.

00:13:31 --> 00:13:34: So the the impacts of that are different in Central

00:13:34 --> 00:13:37: Texas than it is in East Texas, North Texas and

00:13:37 --> 00:13:37: West TX.

00:13:37 --> 00:13:41: So we rely really heavily on our bankers in those

00:13:41 --> 00:13:45: communities to understand the risk involved with that and then

00:13:45 --> 00:13:48: also to know, you know that that's driven by the

00:13:48 --> 00:13:51: regulatory overlay in those communities.

00:13:51 --> 00:13:53: So permitting, right, what's needed for a projects, what are

00:13:53 --> 00:13:56: the risks and what are the challenges as we go

00:13:56 --> 00:13:56: into those?

00:13:57 --> 00:14:00: And 2nd to that, and this is becoming more and

00:14:00 --> 00:14:03: more important as we look at different deals is the

00:14:03 --> 00:14:07: impact of insurance, the accessibility of insurance, you know, what's

00:14:07 --> 00:14:11: available, can the project be insured and how expensive is

00:14:11 --> 00:14:12: that going to be.

00:14:12 --> 00:14:14: And so for us, it's just having, you know, people

00:14:14 --> 00:14:17: in those communities that can manage that on an ongoing

00:14:17 --> 00:14:19: basis as it changes in different markets.

00:14:21 --> 00:14:24: Yeah, for us, we look at it from 2 perspectives.

00:14:24 --> 00:14:28: The first is does it make financial sense for these

00:14:28 --> 00:14:32: developers to be using this financing to complete the project?

00:14:33 --> 00:14:37: So for instance, in Texas, we have something called a

00:14:37 --> 00:14:42: savings to investment ratio, which make sure that each project

00:14:42 --> 00:14:46: that's done, the cost savings from the project is going

00:14:46 --> 00:14:50: to be greater than the increase in the financing cost

00:14:50 --> 00:14:51: for the project.

00:14:52 --> 00:14:55: That is compelling enough for people to do this.

00:14:55 --> 00:14:59: So they're not they're not underwater anymore, right?

00:14:59 --> 00:15:02: Typical financing for these projects is short term, ours is

00:15:03 --> 00:15:05: long term, which makes this much more compelling.

00:15:06 --> 00:15:09: The second thing is does it reduce carbon footprint and

00:15:10 --> 00:15:11: how much does it do?

00:15:11 --> 00:15:14: So we look at those two factors.

00:15:14 --> 00:15:16: The information we get is a lot of it is

00:15:16 --> 00:15:20: from the analysis on the energy audits that are completed

00:15:20 --> 00:15:22: before we do a project.

00:15:25 --> 00:15:28: So when I'm evaluating a lot of that, I spend

00:15:28 --> 00:15:31: a lot of time with our operations teams.

00:15:31 --> 00:15:36: They're operating existing projects that maybe weren't designed for resiliency

00:15:36 --> 00:15:37: and all of these events.

00:15:37 --> 00:15:39: And what are the challenges they're having?

00:15:39 --> 00:15:43: What are the challenges with insurance and insurance costs?

00:15:43 --> 00:15:46: And, you know, what are the challenges that they're creating

00:15:46 --> 00:15:50: with, you know, water and landscaping and comfort for the

00:15:50 --> 00:15:52: customer and all of those things?

00:15:52 --> 00:15:55: So where are those designs that, you know, are not

00:15:55 --> 00:15:58: standing the test of time and we're having to retrofit

00:15:58 --> 00:16:01: and, you know, scramble to accommodate these things.

00:16:01 --> 00:16:05: So I think the people operating these projects can really

00:16:05 --> 00:16:07: give us an idea of how to design for the

00:16:07 --> 00:16:09: future and not repeat those mistakes.

00:16:10 --> 00:16:12: That's one of my largest resources.

00:16:14 --> 00:16:16: So as a as a developer, when I assess risk

00:16:17 --> 00:16:21: associated with extreme weather and climate change, I mean, just

00:16:21 --> 00:16:26: fundamentally it was mentioned earlier that these really bad weather

00:16:26 --> 00:16:29: events are happening more and more frequently.

00:16:29 --> 00:16:31: You don't have to be on a political side of

00:16:31 --> 00:16:32: the discussion.

00:16:32 --> 00:16:35: All you have to do is realize that extreme weather

00:16:35 --> 00:16:36: events are happening.

00:16:36 --> 00:16:38: And so as a developer, how do we respond to

00:16:38 --> 00:16:38: that?

00:16:39 --> 00:16:42: One of the things that we look at in assessing

00:16:42 --> 00:16:44: risk is just the energy grid.

00:16:44 --> 00:16:45: Let's think about it for a second.

00:16:45 --> 00:16:49: Texas is supposed to be the leader in energy, and

00:16:49 --> 00:16:53: we discovered how fragile the energy grid is in Texas

00:16:53 --> 00:16:53: and beyond.

00:16:53 --> 00:16:57: So part of our risk assessment is what can we

00:16:57 --> 00:17:01: do in working with utility companies to deal with this
00:17:01 --> 00:17:03: stress that's in the energy grid?
00:17:04 --> 00:17:06: And then we also assess public policy.
00:17:07 --> 00:17:09: We're seeing a huge shift.
00:17:09 --> 00:17:12: Again, it feels like a political issue, but I'm seeing
00:17:12 --> 00:17:15: cities begin to rethink how they deal with this through
00:17:15 --> 00:17:16: land use policies.
00:17:17 --> 00:17:20: So we're working closely with cities about developing policy
to
00:17:20 --> 00:17:21: deal with climate change.
00:17:22 --> 00:17:23: You won't see that in a lot of the codes
00:17:23 --> 00:17:24: today.
00:17:25 --> 00:17:26: Thank you.
00:17:27 --> 00:17:32: So to mitigate the impacts, what strategies are you using
00:17:32 --> 00:17:36: or exploring and what's working and not working?
00:17:38 --> 00:17:39: Aaron and Doug, if you could please speak to that.
00:17:41 --> 00:17:44: So going back to where we started, I just, I
00:17:44 --> 00:17:47: simply want to say that we are applying our principles
00:17:47 --> 00:17:49: to a large plant community at Whisper.
00:17:49 --> 00:17:54: We have 7500 housing units, so it's a very scalable
00:17:54 --> 00:17:55: project.
00:17:55 --> 00:17:56: We have 3,000,000 square feet of services.
00:17:58 --> 00:18:02: We're applying this technology in the creation of what we
00:18:02 --> 00:18:03: call Geo grids.
00:18:03 --> 00:18:06: We're delivering energy on a different basis.
00:18:07 --> 00:18:09: So we're using the resilient source of energy from the
00:18:10 --> 00:18:12: Earth in a new way the developers haven't done before.
00:18:13 --> 00:18:16: Geothermal as a technology is old.
00:18:16 --> 00:18:17: It's been around for a long time.
00:18:17 --> 00:18:20: We're used in Europe and America, but it's coming to
00:18:20 --> 00:18:20: America.
00:18:21 --> 00:18:23: The thing that Equasmart did is that we created a
00:18:23 --> 00:18:26: new infrastructure and it's called a geogrid.
00:18:26 --> 00:18:29: So think about if you're a developer builder, you connect
00:18:29 --> 00:18:30: to water lines, sewer lines.
00:18:30 --> 00:18:33: Well, now our builders connect to a geogrid and their
00:18:33 --> 00:18:35: geogrid just simply is a series of pipes in the
00:18:35 --> 00:18:35: ground.
00:18:36 --> 00:18:39: It those pipes are injected with water, that water heats
00:18:39 --> 00:18:42: up to the natural temperature of the earth, which when
00:18:42 --> 00:18:44: you get down below here in Austin, it's in the
00:18:45 --> 00:18:45: 70s.

00:18:45 --> 00:18:47: That's better than 106 here.

00:18:48 --> 00:18:51: And, and we convey that water into a home.

00:18:51 --> 00:18:55: Instead of using a traditional HVAC system, which is what

00:18:55 --> 00:18:58: we've used forever, we replace that with a ground source

00:18:58 --> 00:18:59: heat pump.

00:18:59 --> 00:19:02: Very efficient way of converting and taking the heat from

00:19:02 --> 00:19:05: the water and putting it into the home.

00:19:05 --> 00:19:09: So we don't use much electricity, we lower utility bills,

00:19:09 --> 00:19:11: and we take stress off the grid.

00:19:12 --> 00:19:16: We finish that system by applying solar to every roof.

00:19:16 --> 00:19:19: And everybody's familiar with solar, but some states like

00:19:19 --> 00:19:20: California,

00:19:19 --> 00:19:20: that's their only solution.

00:19:20 --> 00:19:21: Let's use lots of solar.

00:19:22 --> 00:19:24: And it's not that efficient if it's your only tool

00:19:24 --> 00:19:25: that you're using.

00:19:25 --> 00:19:28: So we produce energy using solar on every house, about

00:19:28 --> 00:19:29: four to six kilowatts.

00:19:31 --> 00:19:36: And that energy production, along with reducing demand

00:19:36 --> 00:19:40: because of

00:19:36 --> 00:19:40: the geothermal system, allows our homes to be 0 energy

00:19:40 --> 00:19:40: capable.

00:19:41 --> 00:19:42: That's a big deal.

00:19:43 --> 00:19:47: Homeowners love that, and it's healthy for the earth and

00:19:47 --> 00:19:49: it's healthy for the homeowners.

00:19:49 --> 00:19:50: So it's a good solution.

00:19:53 --> 00:19:55: So there's a lot of simple things you can do

00:19:55 --> 00:19:57: and then some more complicated things.

00:19:57 --> 00:20:00: And a lot of times I like to focus on

00:20:00 --> 00:20:02: the simple, you know, things like.

00:20:02 --> 00:20:06: Undergrounding the utilities, you know, you get into areas

00:20:06 --> 00:20:09: where

00:20:06 --> 00:20:09: I've built in communities and we have a philosophy of

00:20:09 --> 00:20:13: everything's underground and working through these things.

00:20:13 --> 00:20:15: And all the sudden you have a big weather event

00:20:15 --> 00:20:18: and you have communities next door to you that it's

00:20:18 --> 00:20:21: two weeks that they have no power and you're up

00:20:21 --> 00:20:23: and running in six hours and you get your crews

00:20:23 --> 00:20:25: out and it's just trees falling online.

00:20:25 --> 00:20:30: It's the simplest things, but those are very important things

00:20:30 --> 00:20:34: and and resilience and solar is now, you know, since

00:20:34 --> 00:20:37: been a leader in solar and solar is now becoming

00:20:37 --> 00:20:41: much more accessible and usable in weathering some of the

00:20:41 --> 00:20:46: grid interruptions, you know, looking at designs and materials that

00:20:46 --> 00:20:48: foster resiliency.

00:20:48 --> 00:20:50: Maybe it's a little less glass than you've used before.

00:20:50 --> 00:20:52: So how you get creative with designs.

00:20:52 --> 00:20:56: So it's still aesthetically pleasing and you know, what are

00:20:56 --> 00:21:00: insulating materials and, you know, upping that type of material

00:21:00 --> 00:21:04: use that, you know, necessarily our bottom line hasn't been

00:21:04 --> 00:21:05: focused on before.

00:21:05 --> 00:21:07: So that has less power needs.

00:21:07 --> 00:21:11: And then water conservation is something that I'm very interested

00:21:11 --> 00:21:14: in and there's so many things now that, you know,

00:21:14 --> 00:21:17: just all our focus over the years of sustainability, Well,

00:21:17 --> 00:21:20: sustainability and resilience really are partners.

00:21:20 --> 00:21:23: So it's been a lot long time that the design

00:21:23 --> 00:21:26: teams and developers have been looking at sustainability, knowing that

00:21:26 --> 00:21:29: that's something that the market is embracing.

00:21:29 --> 00:21:32: And so we can piggyback off all of that work

00:21:32 --> 00:21:34: to bring it forward into resilience as well.

00:21:35 --> 00:21:39: So water conservation, rainwater collection, Austin's really trying to lead

00:21:39 --> 00:21:39: that charge.

00:21:39 --> 00:21:43: I think Austin does a great job with leading those

00:21:43 --> 00:21:47: efforts where other Texas cities maybe are lagging behind.

00:21:48 --> 00:21:52: Braywater reuse has been a big conversation point and there's

00:21:52 --> 00:21:55: a lot of things that you can do with that

00:21:55 --> 00:21:59: and that technology is evolving to where that's something that's

00:21:59 --> 00:22:01: maybe going to be more readily available.

00:22:01 --> 00:22:04: And then just looking at low water vegetation.

00:22:04 --> 00:22:07: So you know, there's a lot of easy things and

00:22:07 --> 00:22:11: low hanging fruit of resiliency that you can impact.

00:22:11 --> 00:22:14: And as you're phasing large projects where maybe you can't

00:22:14 --> 00:22:17: afford huge infrastructure projects, you can start with some of

00:22:17 --> 00:22:18: these more simple measures.

00:22:20 --> 00:22:24: So when you're implementing these strategies, are you encountering it?

00:22:24 --> 00:22:25: Encountering any?

00:22:25 --> 00:22:26: Obstacles.

00:22:26 --> 00:22:33: Go ahead.

00:22:33 --> 00:22:37: So I would say going back to, you know, infrastructure,
00:22:37 --> 00:22:41: the biggest challenge I've faced is, you know, the large
00:22:41 --> 00:22:45: infrastructure cost in the initial phases on these large projects
00:22:45 --> 00:22:50: and probably need a little more public assistance and there
00:22:50 --> 00:22:54: are public assistance vehicles out there, but they're not
necessarily
00:22:55 --> 00:22:55: tailored.
00:22:55 --> 00:22:58: And I think Doug touched on the fact that working
00:22:58 --> 00:23:02: with the, you know, municipalities in the States and trying
00:23:02 --> 00:23:06: to maybe retool some of these programs where, you know,
00:23:06 --> 00:23:09: they are fostering the resilience and how you're trying to
00:23:09 --> 00:23:11: enhance the communities.
00:23:11 --> 00:23:13: Because sometimes there's tack ONS to those to where, you
00:23:13 --> 00:23:15: know, they just aren't economically viable.
00:23:15 --> 00:23:19: So trying to work through some of that public assistance
00:23:19 --> 00:23:22: where, you know, they see these resiliency measures as a
00:23:22 --> 00:23:23: community benefit.
00:23:27 --> 00:23:30: The biggest challenge I think they were seeing is just
00:23:30 --> 00:23:33: people's attitudes, and we find ourselves often times just in
00:23:34 --> 00:23:35: the role of an educator.
00:23:35 --> 00:23:40: Whoever touches the housing experience needs to see it in
00:23:40 --> 00:23:41: a different way.
00:23:41 --> 00:23:44: In my experience, I've been in this business since college
00:23:44 --> 00:23:46: and that was a few years ago, and I found
00:23:46 --> 00:23:49: that the people that are the slowest to change are
00:23:49 --> 00:23:51: the people that are building our homes and developing our
00:23:52 --> 00:23:52: communities.
00:23:53 --> 00:23:57: So on this journey, when we started Ecosmart, just sitting
00:23:57 --> 00:24:01: down with other developers and builders and architects and
engineers,
00:24:01 --> 00:24:04: the challenge is they haven't done it that way before.
00:24:05 --> 00:24:07: And I hear that more often than anything else.
00:24:07 --> 00:24:08: Well, gosh, we just don't do it that way.
00:24:08 --> 00:24:11: And I say, no, you just haven't done it yet,
00:24:11 --> 00:24:13: you're going to be changing.
00:24:14 --> 00:24:15: So that's our biggest challenge.
00:24:15 --> 00:24:17: We have a great system that we've developed.
00:24:17 --> 00:24:20: It works, but we have to get more risk takers
00:24:20 --> 00:24:23: and, and really that's why we like to be part
00:24:23 --> 00:24:26: of groups like this is are you a risk taker?
00:24:27 --> 00:24:29: Are you willing to be educated on a new way
00:24:29 --> 00:24:31: of producing an old commodity?

00:24:31 --> 00:24:34: So, you know, let's face that challenge together.

00:24:36 --> 00:24:40: So, Justin, with regard to financing a resilient project, what are the challenges and opportunities?

00:24:40 --> 00:24:42:

00:24:44 --> 00:24:47: Well, I think as we know, financing for any project right now is difficult and that you know, and that equation is the function of, you know, in place rents.

00:24:47 --> 00:24:50:

00:24:50 --> 00:24:53:

00:24:53 --> 00:24:56: So comps that you're using in your pro forma and trying to solve for a certain DSCR for different product types.

00:24:57 --> 00:25:00:

00:25:00 --> 00:25:00:

00:25:00 --> 00:25:03: And understanding that, you know, when you do that at current interest rates and current comps, it can really limit your your proceeds and your leverage.

00:25:03 --> 00:25:06:

00:25:07 --> 00:25:08:

00:25:10 --> 00:25:12: And you see that, you know, to take it further to then also want to look at a project that is resilient to try to find those comps in different markets can can be an additional challenge there.

00:25:12 --> 00:25:15:

00:25:15 --> 00:25:18:

00:25:18 --> 00:25:22:

00:25:22 --> 00:25:25: So I think the opportunity behind that is that banks can be pretty nimble and and change quickly when when the market changes and there's a market that's calling for that type of product.

00:25:25 --> 00:25:28:

00:25:28 --> 00:25:32:

00:25:32 --> 00:25:34:

00:25:35 --> 00:25:37: And I think, you know, once we see more of that happen in the market and there is a rent premium for those projects and there is a seller willing or a buyer willing to pay more for those projects, I think that'll create more opportunities for banks to get involved at a bigger level.

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00:25:48 --> 00:25:50:

00:25:52 --> 00:25:52: Thank you.

00:25:52 --> 00:25:56: And Mansor, how does C pace financing differ from other types of financing and what sorts of resiliency measures are eligible for that financing?

00:25:56 --> 00:25:59:

00:25:59 --> 00:26:01:

00:26:02 --> 00:26:03: Sure.

00:26:03 --> 00:26:07: So, you know, I, I, I think the, the, the thing about pace is it's, it's being used primarily for energy efficiency items, water conservation and then renewable energy in Texas specifically.

00:26:07 --> 00:26:12:

00:26:12 --> 00:26:20:

00:26:20 --> 00:26:22:

00:26:22 --> 00:26:26: And for energy efficiency, those items are things like H specs, chillers, boilers, lighting, lighting controls, building envelope.

00:26:26 --> 00:26:32:

00:26:33 --> 00:26:37: We move on to water conservation and we're looking at things like low flow toilets, sinks, low, low flow shower heads and then irrigation systems.

00:26:37 --> 00:26:42:

00:26:42 --> 00:26:45:

00:26:46 --> 00:26:49: For renewable energy, we're looking at solar, we're looking at
00:26:49 --> 00:26:51: wind, we're looking at geothermal.
00:26:52 --> 00:26:55: But the way that pace is different than traditional bank
00:26:55 --> 00:26:58: financing is the fact that it's very long term.
00:26:59 --> 00:27:01: 20 to 30 years is on average what we're looking
00:27:01 --> 00:27:02: at for our financing.
00:27:03 --> 00:27:05: It's fixed rate.
00:27:05 --> 00:27:07: So it's fixed rate for the full amount of that
00:27:07 --> 00:27:08: 20 or 30 years.
00:27:09 --> 00:27:12: It's non recourse to the property owner or developer and
00:27:12 --> 00:27:14: it's also non accelerating.
00:27:14 --> 00:27:17: But more specifically, it can only be used for paste
00:27:17 --> 00:27:20: eligible items, and some of the eligible items are the
00:27:20 --> 00:27:21: ones I just discussed.
00:27:23 --> 00:27:23: Thank you.
00:27:26 --> 00:27:29: And for for Aaron and Doug, considering the frequency and
00:27:29 --> 00:27:32: the severity of the past weather events and the future
00:27:32 --> 00:27:36: projections, what adjustments are you contemplating for your
long term
00:27:36 --> 00:27:37: investment strategies?
00:27:46 --> 00:27:50: So long term, you know, it's finding investors that have
00:27:50 --> 00:27:56: the same philosophy, finding patients partners, finding
operating partners that
00:27:56 --> 00:28:02: share your philosophy because there's operational
excellence in sustainability and
00:28:02 --> 00:28:07: resilience and making sure that you're curing a development
is
00:28:07 --> 00:28:11: creating a brand that the community will embrace.
00:28:11 --> 00:28:14: And it's it's that education Doug talked about where you're
00:28:14 --> 00:28:17: fostering that culture where that's a priority.
00:28:17 --> 00:28:21: And, you know, paying a small premium, you know, isn't
00:28:21 --> 00:28:23: something of a concern.
00:28:25 --> 00:28:28: So what we've learned so far using a geogrid and
00:28:29 --> 00:28:32: using solar in combination with that is that we can
00:28:32 --> 00:28:36: lower utility bills and consumers love that it it puts
00:28:36 --> 00:28:39: less stress on the utility companies.
00:28:39 --> 00:28:43: The future investment that we see is becoming more involved
00:28:44 --> 00:28:47: with utility companies, with virtual power plants.
00:28:47 --> 00:28:51: That might be a term that you've you've heard of,
00:28:51 --> 00:28:54: but it is a process of storing energy.
00:28:54 --> 00:28:57: Right now we're using the energy from solar and geothermal,
00:28:58 --> 00:29:01: but now we're moving into battery storage and we're working
00:29:01 --> 00:29:03: with people like Tesla and others.

00:29:04 --> 00:29:09: We're looking, some companies are helping us monetize carbon credits

00:29:09 --> 00:29:14: and they're they're, they're looking at this interaction between the

00:29:14 --> 00:29:17: people who produce energy and the people who use the

00:29:18 --> 00:29:18: energy.

00:29:18 --> 00:29:20: And we have such an opportunity across the country.

00:29:20 --> 00:29:23: If we as developers can learn how to store that

00:29:23 --> 00:29:26: energy and use it in a very efficient manner, it's

00:29:26 --> 00:29:29: going to change the way we live in this country.

00:29:29 --> 00:29:33: So we're really excited about future investments in working with

00:29:33 --> 00:29:36: utility companies with battery storage and energy storage.

00:29:38 --> 00:29:42: And for Justin and Mansour, what adjustments in the current

00:29:42 --> 00:29:46: financing models would enable more resilient projects to obtain financing?

00:29:48 --> 00:29:50: I think to that point, I mean, I think what

00:29:50 --> 00:29:53: we're hearing is some, some items that could go into

00:29:53 --> 00:29:55: the pro forma into the PNL that would reduce expenses.

00:29:56 --> 00:29:58: So that would be the other side of the, you

00:29:58 --> 00:30:01: know, the rent comp showing a premium on the revenue.

00:30:01 --> 00:30:04: But if we can reduce expenses that increases in OI,

00:30:04 --> 00:30:08: increases in OI means more leverage so that that's one

00:30:08 --> 00:30:08: piece of it.

00:30:09 --> 00:30:11: And then aside from that, you know, the model can

00:30:11 --> 00:30:13: be changed with other credit enhancements.

00:30:13 --> 00:30:16: So in our world, that's a few different things.

00:30:16 --> 00:30:20: I mean, principally, it could be additional guarantor support that

00:30:20 --> 00:30:24: it takes to get a project started, typically more equity

00:30:24 --> 00:30:25: to get a project started.

00:30:26 --> 00:30:28: Or you know, pre leasing goes a long way if

00:30:28 --> 00:30:31: it's that type of product type and you can show

00:30:31 --> 00:30:33: the pre leasing is there to prove up that market

00:30:33 --> 00:30:35: that helps solve the the comp situation.

00:30:35 --> 00:30:38: So I think if you take all those things into

00:30:38 --> 00:30:42: account and you know, look at the deal from kind

00:30:42 --> 00:30:45: of a more high level global perspective, then it can

00:30:45 --> 00:30:48: certainly help get a deal done.

00:30:50 --> 00:30:50: Yeah.

00:30:50 --> 00:30:55: For us, it's not really about changing the financing models

00:30:55 --> 00:31:00: as it is adding additional resiliency measures.

00:31:00 --> 00:31:03: For instance, if we were able to hire to to

00:31:03 --> 00:31:08: add in fire resistance, hurricane resistance, that would enable us

00:31:08 --> 00:31:12: to do more pace financing, you know, actually in Texas

00:31:12 --> 00:31:16: at the program runs very well and pace financing is

00:31:16 --> 00:31:22: easily accessible through, you know, a variety of different folks.

00:31:23 --> 00:31:24: Michelle, do you mind if I jump into that a

00:31:24 --> 00:31:25: little bit?

00:31:26 --> 00:31:28: So one of the things that we're working on and

00:31:28 --> 00:31:31: this guy in the back of the room, Rick Rosenberg.

00:31:31 --> 00:31:32: Yep.

00:31:32 --> 00:31:33: Rick, don't look at your phone for a moment.

00:31:35 --> 00:31:38: Rick is helping us create bids and Muds and long

00:31:39 --> 00:31:40: term financing tools.

00:31:40 --> 00:31:43: And today the type of infrastructure that we use using

00:31:44 --> 00:31:46: geothermal is not a qualifying infrastructure.

00:31:47 --> 00:31:50: Financing is the is the blood of every innovation.

00:31:50 --> 00:31:54: And to the extent that accepted norms and financing can

00:31:54 --> 00:31:59: encourage the type of resilient development that we do, then

00:31:59 --> 00:32:02: more developers will use it, more cities will use it.

00:32:03 --> 00:32:07: We're also finding that mortgage companies who are

00:32:07 --> 00:32:09: extending 30

00:32:07 --> 00:32:09: year mortgages, they love green mortgages.

00:32:10 --> 00:32:12: And we're starting to see that if we have lenders

00:32:12 --> 00:32:16: that appreciate the investment that we're making, they

00:32:16 --> 00:32:17: actually will

00:32:16 --> 00:32:17: get better terms.

00:32:17 --> 00:32:20: They think borrowers who invest in these type of things

00:32:20 --> 00:32:21: are better borrowers.

00:32:21 --> 00:32:24: So we're actually seeing mortgage companies that are sort of

00:32:24 --> 00:32:27: rethinking how they underwrite the type of things that we

00:32:27 --> 00:32:27: do.

00:32:27 --> 00:32:28: So we're trying to encourage.

00:32:29 --> 00:32:34: So you're speaking about partnerships and collaborating and

00:32:34 --> 00:32:35: expanding the

00:32:34 --> 00:32:35: conversation.

00:32:35 --> 00:32:39: Would anybody else like to speak to who are your

00:32:39 --> 00:32:43: closest partners when you are trying to finance or develop

00:32:43 --> 00:32:46: a resilient project and how do you influence them?

00:32:49 --> 00:32:50: I'll jump in on that one.

00:32:51 --> 00:32:56: I find my design teams, master planning, architects,

00:32:51 --> 00:32:56: engineers, they're

00:32:57 --> 00:33:00: at the forefront of all of the innovative projects and

00:33:01 --> 00:33:04: they are working with new product types, all of that.
00:33:04 --> 00:33:08: They are very innovative, They're a very important partner and
00:33:08 --> 00:33:10: coming up with creative ideas.
00:33:10 --> 00:33:15: Now it's developers responsibility to take those ideas and make
00:33:15 --> 00:33:19: them scalable, make them financeable, be able to sell them
00:33:19 --> 00:33:23: to your investment partners, be able to in a meaningful
00:33:24 --> 00:33:28: way convince your lenders and partners and financial partners that
00:33:29 --> 00:33:33: you will generate the premium that you're forecasting.
00:33:33 --> 00:33:36: You know, the comps, everything the challenges that Justin talked
00:33:36 --> 00:33:37: about.
00:33:37 --> 00:33:42: So those are invaluable partners is your design teams and
00:33:42 --> 00:33:47: so many different companies now have studios that have specialized
00:33:48 --> 00:33:53: and sustainability and sustainability and resiliency go together.
00:33:54 --> 00:33:57: And so you have all of that, you know, brain
00:33:57 --> 00:34:00: power to tap into and the developer just has to
00:34:00 --> 00:34:04: be the creative one to understand which ones to put
00:34:04 --> 00:34:07: in and that you can make work and sell it
00:34:07 --> 00:34:11: to your investors, your finances, and of course, create that
00:34:11 --> 00:34:15: brand and premium that will give you that return that
00:34:15 --> 00:34:16: you're looking for.
00:34:19 --> 00:34:20: Yeah.
00:34:20 --> 00:34:23: For us, you know, we're working very closely with the
00:34:23 --> 00:34:26: sponsor of the senior lender, the program administrator for that
00:34:26 --> 00:34:29: particular municipality and then the energy auditors.
00:34:29 --> 00:34:34: And we're not necessarily trying to influence what the developer
00:34:34 --> 00:34:35: does in a project.
00:34:35 --> 00:34:37: We're just trying to make sure that everyone plays by
00:34:37 --> 00:34:38: the rules.
00:34:39 --> 00:34:41: And I would say to Aaron's point, I mean, you
00:34:41 --> 00:34:43: know, for us as a bank and any deal, we
00:34:43 --> 00:34:46: rely pretty heavily on the borrower, the developer to help
00:34:46 --> 00:34:48: us understand that it's a good deal and why it
00:34:48 --> 00:34:49: works.
00:34:49 --> 00:34:52: That would be even more important on a deal on
00:34:52 --> 00:34:53: a resilient project.
00:34:53 --> 00:34:56: And I think that could be, you know, that.

00:34:56 --> 00:34:58: So that's where relationship is important.

00:34:58 --> 00:35:00: So that could be a developer, a borrower who's never

00:35:00 --> 00:35:02: done that type of deal before.

00:35:02 --> 00:35:04: But you know, we have experience with them.

00:35:05 --> 00:35:07: We have a track record, you know, we know they

00:35:07 --> 00:35:09: can, you know, walk and chew gum.

00:35:09 --> 00:35:11: And so that would make it much easier to to

00:35:11 --> 00:35:13: to sign off on some on a deal like that.

00:35:15 --> 00:35:18: So for all of you, if you could remove one

00:35:18 --> 00:35:23: challenge or obstacle immediately, what would that challenge or obstacle

00:35:23 --> 00:35:26: be, and how would its removal allow projects to be

00:35:26 --> 00:35:28: developed in a more resilient way?

00:35:29 --> 00:35:30: Lower rates.

00:35:36 --> 00:35:40: Right now, the Texas program is a great program, but

00:35:40 --> 00:35:43: it's specifically for retrofits and gut rehab projects.

00:35:44 --> 00:35:49: If we could add new construction projects to Greenfield Properties,

00:35:49 --> 00:35:53: I think that would really help expand the amount of

00:35:53 --> 00:35:57: financing that we could do on pace for for these

00:35:57 --> 00:36:00: developers and property owners.

00:36:01 --> 00:36:04: And I just would echo again, the biggest challenge for

00:36:04 --> 00:36:05: us is financing.

00:36:06 --> 00:36:09: We're putting it in 10s of millions of dollars worth

00:36:09 --> 00:36:10: of infrastructure.

00:36:10 --> 00:36:12: And a lot of that right now is coming from

00:36:12 --> 00:36:14: private investment capital.

00:36:14 --> 00:36:16: And by the way, our investors are looking at great

00:36:16 --> 00:36:19: returns on what we're doing and we're finding plenty of

00:36:19 --> 00:36:21: equity capital about the type of thing that we're doing.

00:36:21 --> 00:36:24: But we need to reach into the financial markets and

00:36:24 --> 00:36:26: we need to show them how great it is to

00:36:27 --> 00:36:30: improve the value of an asset by financing these type

00:36:30 --> 00:36:30: of tools.

00:36:31 --> 00:36:33: And then the other challenge that we're going to continue

00:36:33 --> 00:36:35: to work on, it's just public policy.

00:36:35 --> 00:36:37: Every time we go to a city, I'm going to

00:36:37 --> 00:36:38: talk to the mayor.

00:36:38 --> 00:36:40: I want to talk to the City Council members.

00:36:40 --> 00:36:41: And I want to ask him, what do you want

00:36:41 --> 00:36:42: your community to be?

00:36:42 --> 00:36:43: What do you want it to be like?

00:36:44 --> 00:36:48: Most politicians are really in favor of environmentally sustainable communities,

00:36:48 --> 00:36:50: but when you get to public works in the land

00:36:50 --> 00:36:52: development department, there's no policy on this.

00:36:53 --> 00:36:55: And so we need to help craft policy both at

00:36:55 --> 00:36:58: the local, state and federal level to encourage this and

00:36:58 --> 00:37:01: then the provide the type of financing that we'll get

00:37:01 --> 00:37:02: it done.

00:37:04 --> 00:37:05: I agree with all of that.

00:37:05 --> 00:37:08: So cost to infrastructure as I keep saying over and

00:37:08 --> 00:37:11: over again is the biggest challenge and current interest rate

00:37:11 --> 00:37:13: environment on top of it, as Justin said.

00:37:13 --> 00:37:18: And we just need more creative and public financing options

00:37:18 --> 00:37:22: to be able to bring some of these to fruition.

00:37:22 --> 00:37:25: The returns are there, it's just a long term horizon

00:37:25 --> 00:37:27: and phasing the project, it's more challenging.

00:37:27 --> 00:37:31: So we definitely need to influence, as he said, state

00:37:31 --> 00:37:36: and local governments and public financing vehicles, not all of

00:37:36 --> 00:37:39: them are structured to be able to provide the innovation

00:37:40 --> 00:37:42: that this is going to require.

00:37:44 --> 00:37:44: OK.

00:37:44 --> 00:37:49: So in addition to solving or addressing those challenges, what

00:37:49 --> 00:37:53: does success look like if our community wants to build

00:37:53 --> 00:37:58: more resiliency into our built environment short term and long

00:37:58 --> 00:37:59: term well.

00:38:01 --> 00:38:04: I would say, you know, for us it, it would

00:38:04 --> 00:38:07: be in an environment where, you know, changes are made

00:38:08 --> 00:38:11: on an incremental level from a lot of different from

00:38:11 --> 00:38:13: a lot of different groups, right.

00:38:13 --> 00:38:15: And so I, I agree with with Doug that, you

00:38:15 --> 00:38:18: know, there has to be a financing component that's that's

00:38:18 --> 00:38:21: able to get comfortable with those deals, has to be

00:38:21 --> 00:38:23: some regulatory piece of that they can come in and,

00:38:23 --> 00:38:24: and help with that.

00:38:24 --> 00:38:27: And there has to be, you know, the public piece

00:38:27 --> 00:38:28: that helps, you know, pace.

00:38:28 --> 00:38:31: And so I think, you know, success would be seeing

00:38:31 --> 00:38:34: projects where all those things are able to come together

00:38:34 --> 00:38:36: and make a deal work and develop that track record

00:38:36 --> 00:38:39: of of projects that help everybody get more comfortable with

00:38:39 --> 00:38:41: with what it looks like.

00:38:43 --> 00:38:43: Yeah.

00:38:43 --> 00:38:47: For for us, I think if we could see every

00:38:47 --> 00:38:53: new or existing commercial property over 25,000 square feet, use

00:38:53 --> 00:38:58: paste to reduce the carbon emissions, I think that'd be

00:38:58 --> 00:39:00: a success for us.

00:39:02 --> 00:39:10: I think success is building a culture of conservation.

00:39:10 --> 00:39:13: So if we can get everyone to embrace that this

00:39:13 --> 00:39:17: is standard practice and it's standard practice for all new

00:39:17 --> 00:39:20: development, then I think that success.

00:39:20 --> 00:39:23: So the the developments now have to show that you

00:39:23 --> 00:39:26: can do it and has to, to forge the territory

00:39:26 --> 00:39:28: so that all will jump on that.

00:39:29 --> 00:39:32: You know, I think getting the end user got into

00:39:32 --> 00:39:37: maybe we need more density, more dense communities with shared

00:39:37 --> 00:39:42: amenities instead of, you know, copying the same amenity over

00:39:42 --> 00:39:43: and over again.

00:39:43 --> 00:39:50: That's less resources, less utilities and just getting everyone to

00:39:50 --> 00:39:51: embrace that.

00:39:51 --> 00:39:53: That is now standard practice.

00:39:53 --> 00:39:53: That's success.

00:39:55 --> 00:39:58: You know, I, I see a future where we become

00:39:58 --> 00:39:59: collaborators.

00:40:00 --> 00:40:04: To see a future where we're not competing with each

00:40:04 --> 00:40:07: other in ways that pit US against each other and

00:40:07 --> 00:40:09: and and put up barriers.

00:40:10 --> 00:40:13: Developers often times you're saying is the pillagers of the

00:40:13 --> 00:40:16: earth and environmentalists are seen as the tree huggers.

00:40:16 --> 00:40:19: I like to I like to think we're where capitalism

00:40:19 --> 00:40:20: meets environmentalism.

00:40:20 --> 00:40:23: We can be friends and I think if we all

00:40:23 --> 00:40:26: can set our sights on what our future looks like,

00:40:26 --> 00:40:28: then we can work more closely together.

00:40:29 --> 00:40:31: And I think if we've shown anything in Whisper Valley

00:40:31 --> 00:40:34: is that it's achievable and that we can actually have

00:40:34 --> 00:40:35: this today.

00:40:35 --> 00:40:36: And consumers love it.

00:40:37 --> 00:40:39: And more importantly, they can afford it.

00:40:40 --> 00:40:42: And, you know, our home buyers come to me often

00:40:42 --> 00:40:44: times and they say, you know, I just didn't.

00:40:44 --> 00:40:45: I'm buying my first home.

00:40:45 --> 00:40:47: I'm spending \$300,000.

00:40:47 --> 00:40:49: Gosh, I didn't know I could afford a community like

00:40:49 --> 00:40:50: this.

00:40:50 --> 00:40:52: And then others will come and they'll say, you know,

00:40:52 --> 00:40:54: how come more developers aren't doing this?

00:40:55 --> 00:40:57: I know come, there aren't more communities out there that

00:40:57 --> 00:40:58: give us this option.

00:40:58 --> 00:41:00: So I think we have to be, as we started

00:41:00 --> 00:41:04: this conversation, we have to be innovators who are risk

00:41:04 --> 00:41:06: takers and we have to work together.

00:41:06 --> 00:41:08: And I, I think we're getting closer to that point.

00:41:08 --> 00:41:09: So I'm optimistic.

00:41:11 --> 00:41:14: So one of the biggest reasons that we formed the

00:41:14 --> 00:41:17: Strategic Council was to, you know, answer this question.

00:41:18 --> 00:41:19: What does our membership?

00:41:19 --> 00:41:22: Need to know in order to be more educated and

00:41:22 --> 00:41:27: aware and able to build more resiliently and address these

00:41:27 --> 00:41:28: challenges.

00:41:28 --> 00:41:31: We know that ULI provides a lot of resources.

00:41:31 --> 00:41:34: You know what a high level to address these, but

00:41:34 --> 00:41:37: here in Central Texas, what do you need to know?

00:41:37 --> 00:41:40: So the convenings that I mentioned earlier, the data that

00:41:40 --> 00:41:44: we gathered from them, these panelists, and the insights that

00:41:44 --> 00:41:47: they've shared today, that's going to be our next steps

00:41:47 --> 00:41:51: moving forward, is identifying what resources can be

00:41:52 --> 00:41:54: provided.

00:41:52 --> 00:41:54: And earlier, I failed to do something I wanted to

00:41:54 --> 00:41:54: do.

00:41:55 --> 00:41:58: I have to give a shout out to Steven Colston,

00:41:58 --> 00:41:59: the former chair of ULI Austin.

00:42:00 --> 00:42:01: This is all his fault.

00:42:01 --> 00:42:05: I love saying that he dragged me into this, and

00:42:05 --> 00:42:07: it's been a wonderful journey.

00:42:07 --> 00:42:11: And so I hope Steven is watching virtually from Denver,

00:42:11 --> 00:42:14: but it was really his passion and his insistence that

00:42:14 --> 00:42:18: this become a strategic priority for this council that brought

00:42:18 --> 00:42:19: us all to this moment.

00:42:20 --> 00:42:22: After almost two years of discussion.

00:42:22 --> 00:42:24: We started all this about a year and a half

00:42:24 --> 00:42:24: ago.

00:42:25 --> 00:42:25: So hey, Steven.

00:42:27 --> 00:42:29: And we have some questions from the audience.
00:42:29 --> 00:42:32: And so if you've been typing in on Slido, I
00:42:32 --> 00:42:34: have some questions here that I will share with the
00:42:34 --> 00:42:35: panelists.
00:42:36 --> 00:42:39: So insurance companies, this is a big concern.
00:42:40 --> 00:42:44: There's a question about how Nationwide is not insuring
homes
00:42:44 --> 00:42:48: near open space, and how are planners and developers to
00:42:48 --> 00:42:52: provide needed and required open space if this is something
00:42:52 --> 00:42:56: that the insurance companies are citing as a reason to
00:42:56 --> 00:42:57: not provide a policy.
00:43:01 --> 00:43:04: So has anybody heard the term wooley?
00:43:06 --> 00:43:11: This is wildlife urban infill planning for fires and what
00:43:11 --> 00:43:16: we're seeing Austin has just implemented this program.
00:43:16 --> 00:43:20: But if you're adjacent to an open area, the building
00:43:20 --> 00:43:24: standards are changing the use of materials and fences and
00:43:24 --> 00:43:27: the use of materials in the homes themselves.
00:43:27 --> 00:43:29: So I think our codes are going to address some
00:43:29 --> 00:43:32: of the insurance company issues just simply by the materials
00:43:33 --> 00:43:33: that we're using.
00:43:33 --> 00:43:36: So I would go to the insurance companies and that
00:43:36 --> 00:43:39: say let's get on board together, let's talk about what
00:43:39 --> 00:43:42: it takes to reduce your claims and your risk and
00:43:42 --> 00:43:45: then let's implement that into a building policy.
00:43:45 --> 00:43:47: And Austin is actually trying to work on that right
00:43:47 --> 00:43:47: now.
00:43:50 --> 00:43:53: Just one quick thing to add, you know, most master
00:43:53 --> 00:43:56: plan communities, they do have a fire plan, right?
00:43:56 --> 00:43:59: And so if you have that fire plan, usually that
00:43:59 --> 00:44:02: satisfies the insurance companies.
00:44:02 --> 00:44:04: So I think in a rural environment I can see
00:44:04 --> 00:44:07: where the open space, but in more of the curated
00:44:07 --> 00:44:08: communities.
00:44:08 --> 00:44:11: With the fire plan, you really shouldn't have any trouble
00:44:11 --> 00:44:12: with insurance.
00:44:14 --> 00:44:14: Thank you.
00:44:15 --> 00:44:19: And Mentor dig a little deeper into how Peace financing
00:44:19 --> 00:44:22: interacts with other financing.
00:44:22 --> 00:44:25: And if you're experiencing any hesitation by lenders, how can
00:44:25 --> 00:44:26: that be overcome?
00:44:28 --> 00:44:29: Yeah.
00:44:29 --> 00:44:33: So we've used space financing with all types of pieces

00:44:34 --> 00:44:40: of the cap stack, preferred equity, senior lending, mezzanine financing,

00:44:40 --> 00:44:46: all kinds of tax incentives, new market tax credits, historic

00:44:46 --> 00:44:51: tax credits, all those different kinds of of financings have

00:44:51 --> 00:44:53: been part of deals.

00:44:53 --> 00:44:57: Now historically, senior lenders have been more resistant to using

00:44:57 --> 00:45:01: PACE because they didn't really quite understand what the rights

00:45:01 --> 00:45:04: to remedies would be in the case where there was

00:45:04 --> 00:45:05: an issue with that sponsor.

00:45:06 --> 00:45:08: Over time that started to change that.

00:45:08 --> 00:45:13: We're seeing more institutional players that are actually coming into

00:45:13 --> 00:45:16: these pay stacks consenting to PACE.

00:45:17 --> 00:45:19: The deals are getting larger and larger and larger.

00:45:19 --> 00:45:22: I mean we're, we're doing deals and the hundreds of

00:45:22 --> 00:45:24: billions of dollars just for the PACE component.

00:45:25 --> 00:45:30: Having those institutional sponsors and institutional lenders be part of

00:45:30 --> 00:45:34: it adds credibility to the fact that you know, pay

00:45:34 --> 00:45:37: should be a, you know, a, a regular component of

00:45:37 --> 00:45:38: a cap stack.

00:45:38 --> 00:45:42: And so that's getting senior lenders more comfortable with allowing

00:45:42 --> 00:45:45: PACE and now we're seeing it across the board from

00:45:45 --> 00:45:49: community banks to regional lenders to money center banks, debt

00:45:49 --> 00:45:50: funds, etcetera.

00:45:51 --> 00:45:52: Yeah, I would agree with that.

00:45:52 --> 00:45:54: I think one of the challenges is education and how

00:45:54 --> 00:45:54: that works.

00:45:56 --> 00:45:58: You know, we like to be chicken Lindle littles And

00:45:58 --> 00:46:00: So what happens in case of default and we take

00:46:00 --> 00:46:00: something back.

00:46:00 --> 00:46:03: And so that's a big part of the conversation and

00:46:03 --> 00:46:06: letting senior lenders know how how that would work.

00:46:06 --> 00:46:09: And as a bank, we've done, we've done deals with

00:46:09 --> 00:46:12: with pace involved in the capital stack.

00:46:12 --> 00:46:13: We're open to it.

00:46:13 --> 00:46:17: We think it can be enhancements to different projects certainly

00:46:17 --> 00:46:20: where we sometimes have issues as if the pace is

00:46:20 --> 00:46:24: used as a replacement for equity because in our underwriting

00:46:24 --> 00:46:26: it's, you know, it's not treated as equity.
00:46:26 --> 00:46:28: There's a debt service component to that.
00:46:29 --> 00:46:31: It has to be considered.
00:46:31 --> 00:46:33: And so you know that that can be difficult.
00:46:33 --> 00:46:35: But, but you know, I think as a bank we're
00:46:35 --> 00:46:38: open to pace and, and, and always can entertain it
00:46:38 --> 00:46:39: on different type of projects.
00:46:40 --> 00:46:40: Yeah.
00:46:40 --> 00:46:43: And when we're doing deals now, like we're not trying
00:46:43 --> 00:46:45: to replace a bunch of equity in these transactions.
00:46:46 --> 00:46:49: We're trying to make sure that the senior lender is
00:46:49 --> 00:46:52: comfortable with the total LTV on this project or LTC
00:46:52 --> 00:46:55: on the project and we're just a component of that
00:46:55 --> 00:46:56: total amount.
00:46:57 --> 00:47:00: And can any asset class utilize pace?
00:47:01 --> 00:47:05: It, it is purely for commercial, there's no residential program
00:47:05 --> 00:47:07: in in Texas unfortunately.
00:47:08 --> 00:47:11: And so it's for multifamily that's 4 units or greater
00:47:11 --> 00:47:13: and then all commercial types of properties.
00:47:14 --> 00:47:18: One more pace follow up question, do projects need to
00:47:18 --> 00:47:22: meet any specific standards like a lead certification or other
00:47:22 --> 00:47:26: types of expectations about sustainability or resiliency?
00:47:27 --> 00:47:30: There's no specific regulation on in terms of lead certification,
00:47:30 --> 00:47:33: but they do have to build to code or above.
00:47:36 --> 00:47:38: So what about incentives?
00:47:38 --> 00:47:43: Different types of credits, Different types of incentives from
00:47:43 --> 00:47:46: municipalities,
00:47:47 --> 00:47:49: from different levels of government.
00:47:49 --> 00:47:50: What are you seeing, Aaron and Doug, in terms of
00:47:54 --> 00:47:59: incentives and credit?
00:47:59 --> 00:48:04: Well, in, you know, mentioning the public assisting
00:48:04 --> 00:48:09: assistance mechanisms,
00:48:09 --> 00:48:12: you know, there's, there's Pids, there's Muds, there's TRS, all
00:48:12 --> 00:48:16: those things, they're out there, but they aren't necessarily
00:48:16 --> 00:48:19: structured
00:48:21 --> 00:48:25: and tooled to innovate in this way for resiliency.
00:48:25 --> 00:48:28: So I think there needs to be some partnership between
00:48:28 --> 00:48:32: developers and the municipalities and restructuring some of
00:48:32 --> 00:48:36: this.
00:48:21 --> 00:48:25: Yeah, we're starting to see cities and states set up
00:48:25 --> 00:48:28: special grant programs to invest in new technologies.
00:48:28 --> 00:48:32: So I would encourage you if you're thinking about a
00:48:32 --> 00:48:36: new technology, there are educational groups, there are civic

government

00:48:36 --> 00:48:38: groups that will provide grants.

00:48:39 --> 00:48:42: When we're talking to cities who really want to see

00:48:42 --> 00:48:46: this type of technology in their community, their incentives are

00:48:47 --> 00:48:50: more about expedited plat approvals, maybe waving some of their

00:48:51 --> 00:48:54: fees just to encourage you to get through the process

00:48:54 --> 00:48:54: faster.

00:48:56 --> 00:48:59: And in case our City of Austin or Austin Energy

00:48:59 --> 00:49:03: representatives are squirming right now, I will give you a

00:49:03 --> 00:49:07: shout out that yes, locally, if you're not aware of

00:49:07 --> 00:49:11: the incentives that are available, please reach out to the

00:49:11 --> 00:49:13: city or to Austin Energy.

00:49:13 --> 00:49:16: And that may be an awareness or education gap that

00:49:16 --> 00:49:19: can be filled in terms of what is available.

00:49:20 --> 00:49:23: But you know, our community, our municipality and our utilities

00:49:23 --> 00:49:26: are are very much wanting to be leaders in this

00:49:26 --> 00:49:26: space.

00:49:27 --> 00:49:28: If you don't mind me speaking for you.

00:49:30 --> 00:49:35: Can anyone speak to if there is local equity capital

00:49:35 --> 00:49:37: targeting resilient projects?

00:49:41 --> 00:49:43: Or maybe there's somebody in the audience that knows.

00:49:43 --> 00:49:45: Wait, somebody let me know about that if you find

00:49:45 --> 00:49:45: it.

00:49:48 --> 00:49:50: Nobody wants to jump up and say I am no.

00:49:50 --> 00:49:56: OK, well, maybe we can open it up.

00:49:56 --> 00:49:59: Just to not slide out, but the rest of the

00:49:59 --> 00:50:03: audience, does anyone have any other comments or questions for

00:50:03 --> 00:50:03: this panel?

00:50:09 --> 00:50:10: And do the four of you, do each of you

00:50:10 --> 00:50:12: have anything that you want to share?

00:50:12 --> 00:50:14: You have been so generous and gracious today.

00:50:14 --> 00:50:17: Thank you for sharing all of your personal perspectives and

00:50:17 --> 00:50:18: insights.

00:50:18 --> 00:50:19: Any closing comments?

00:50:23 --> 00:50:24: We've covered it all.

00:50:24 --> 00:50:25: We've solved just.

00:50:27 --> 00:50:28: Want to thank everybody.

00:50:28 --> 00:50:30: This has been a great opportunity and we're always open

00:50:30 --> 00:50:31: to follow up discussions.

00:50:31 --> 00:50:33: So we'd invite you to do that.
00:50:34 --> 00:50:34: Thank you.
00:50:36 --> 00:50:36: Thank you everyone.
00:50:36 --> 00:50:39: We really appreciate your participation and attendance today.

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