

CITY OF SEATTLE MAYOR'S GREEN BUILDING TASK FORCE

New Buildings Committee Meeting

Thursday, September 25, 2008, 2:30 pm – 5:30 pm

Seattle Downtown Central Library, 1000 4th Avenue

Washington Mutual Foundation Room (Level 4, Room 1)

MEETING SUMMARY

Prepared by Triangle Associates, Inc.

Attendance

Green Building Task Force				
Last	First	Organization	Committee	In Attendance?
Adelstein	Aaron	Master Builders Association/Built Green	New	<input type="checkbox"/>
Chase	Patricia	International Sustainable Solutions	New	<input checked="" type="checkbox"/>
Dinndorf	Jerry	Associated General Contractors	New	<input checked="" type="checkbox"/>
Dolwick	Carrie	NW Energy Coalition	New	<input checked="" type="checkbox"/>
Drummond	Susan	Foster Pepper, PLLC	New	<input checked="" type="checkbox"/>
Dunn	Liz	Dunn+Hobbs	New	<input checked="" type="checkbox"/>
Elwell	Chris	Building Construction Trades Council (BCTC)	New	<input checked="" type="checkbox"/>
Frank	Kari-Lynn	NAIOP	New	<input checked="" type="checkbox"/>
Frankel	Mark	New Buildings Institute	New	<input checked="" type="checkbox"/>
Gregory	Bert	Mithun	New	<input type="checkbox"/>
Horn	Don	US General Services Administration	New	<input type="checkbox"/>
Howe	Douglas	Touchstone Corporation	New	<input checked="" type="checkbox"/>
Jonlin	Duane	NBBJ	New	<input checked="" type="checkbox"/>
Lowe	Marco	Triad Development	New	<input checked="" type="checkbox"/>
Mann	Kelly	Urban Land Institute - Seattle	New	<input type="checkbox"/>
Marseille	Tom	Stantec Consulting	New	Brian Griffith
McCumber	Mary	Futurewise	New	<input checked="" type="checkbox"/>
McLennan	Jason	Cascadia GBC	New	<input type="checkbox"/>
Mitra	Anindita	American Planning Association	New	<input checked="" type="checkbox"/>
Powers	John	Colliers International	New	<input type="checkbox"/>
Pryde	Curt	Pryde-Johnson	New	<input checked="" type="checkbox"/>
Purcell	Paul	Beacon Development Group	New	<input checked="" type="checkbox"/>
Richmond	Lisa	AIA Seattle	New	<input checked="" type="checkbox"/>
Schuster	Mark	The Schuster Group	New	<input checked="" type="checkbox"/>
Southard	Patti	King County GreenTools	New	<input type="checkbox"/>
Stolarski	Bob	Puget Sound Energy	New	<input type="checkbox"/>

City of Seattle & Presenters			
Last	First	Department	In Attendance?
Antonoff	Jayson	Seattle DPD	<input checked="" type="checkbox"/>
Atwood	Glenn	Seattle City Light	<input checked="" type="checkbox"/>
Eichel	Amanda	Seattle OSE	<input checked="" type="checkbox"/>

10/10/2008

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Hsu	David	Seattle City Light	✓
Mallory	Sandra	Seattle DPD	✓
Nguyen	My Tam	Seattle DPD	✓

Consultants			
Last	First	Organization	In Attendance?
Blair	Ellen	Triangle Associates	✓
Bonham-Carter	Claire	EDAW	✓
Clement	Christopher	EDAW	✓
Kern	Michael	Triangle Associates	✓

General Public (<i>several in attendance, none signed up to speak</i>)			
Last	First	Organization	In Attendance?
			<input type="checkbox"/>

Meeting Purpose

The purposes of this meeting were to: 1) provide Committee members with information about interpreting the 2030 Challenge goals for Seattle and about the methodology used to analyze the policy options under Committee consideration; and 2) get the Committee's input on the green investment fund and carbon feebate policy options.

Welcome and Introductions

Facilitator Michael Kern of Triangle Associates opened the meeting and noted that there would be time available at the end for public comment. Michael reviewed the agenda and meeting materials and led a round of introductions. Michael reported that the City of Seattle Department of Planning and Development (DPD) plans to create a Task Force blog to facilitate communication among Task Force/Committee members who want to interact in a more in-depth manner than is possible at Task Force/Committee meetings. The City will defer use of a program like Basecamp until such a time as Task Force/Committee members need such a tool in order to comment on documents.

Interpreting the 2030 Challenge Goals

Peter Dobrovolny, of Seattle DPD provided an overview of the Architecture 2030 Challenge for reducing building consumption of fossil fuel-based energy and the City of Seattle's current approach to meeting that challenge (presentation available on the Committee's website). Peter said the most important point for the Committee to consider is the pressing need to convey the seriousness of the greenhouse gas emission problem to the development community. He said we cannot wait for legislation.

Policy Analysis Methodology

Claire Bonham-Carter of the EDAW policy consultant team provided an overview of the team's methodology for developing "scorecards" for each policy option to be considered by the Committee (presentation available on the Committee's website). In response to a question, Claire said the City's current requirements are being used as the baseline.

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A Committee member asked about factoring the economic impact of health and environmental benefits into the economic impact criterion. Jayson Antonoff of Seattle DPD explained that the City is focusing on quantifiable impacts and it can be difficult to quantify those benefits. But Jayson and EDAW agreed to consider whether and how to account for the health and socioeconomic impacts of the policy options.

A Committee member asked if the avoided cost of new energy generation could be included in the cost-effectiveness calculation. Claire noted that Seattle City Light (SCL) must adhere to a strict avoided costs model and that the policy consultant could use that model if so directed.

A Committee member noted that lower income households tend to use less energy than higher income households when presented with the same incentives. Claire and Christopher Clement, EDAW, agreed that it was possible to make a conceptual connection that the economic impact and energy savings might be greater in low income communities for a given policy option, but they said it was unclear how to quantify the concept.

At the Committee's request, Claire and Christopher agreed to consider adding "Acceptability to Neighborhoods" as a component of the Stakeholder Impacts criterion.

The Committee discussed whether it made sense to try to address the "split incentive" between developers who bear upfront costs and owners who bear operation and maintenance costs in the cost-effectiveness criterion. Several Committee members stated their interest in exploring how long term costs and benefits could be reassigned to balance out against up-front development costs. Some Committee members felt it was important to take advantage of any opportunity to reallocate cost, while others felt it was unrealistic not to assume segmentation between builders and owners.

Michael asked the Committee to contact Jayson after the meeting with any additional questions about the policy analysis methodology.

Green Investment Fund

Christopher Clement provided a brief presentation about two case studies of the green investment fund policy option and the policy "scorecard" that EDAW has developed on this option (Christopher's presentation, the two case studies, and the policy scorecard are available on the Committee's website). Christopher noted that the policy scorecards are intended only as rough indicators, with the Committee providing additional information and insight into the potential stakeholder impacts and the utility of the various policy options in Seattle. Christopher also provided a few key "lessons learned" from the policy analysis:

- The grant model seems to work best with mid to small size projects (1,500-25,000 sf).
 - A modest grant of \$50K-\$100K can create opportunities for green building practices.
- The loan model seems to work best for mid to large projects (25,000-100,000 sf).
 - Gap financing of approximately \$500K-\$2M.

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- High building performance thresholds limit the potential applicant pool for the policy and select against smaller developers.
- The loan program must have a targeted market niche.
- It is difficult to promote debt financing products because of low interest rates (prime or lower) and because loan payments are less than energy savings.

In response to a question, Christopher clarified that the repayment period for a loan program is assumed to be through the year 2030, which makes the interest payments lower than the energy savings.

Several Committee members expressed support for the green investment fund in certain limited capacities. Details of their comments include the following:

- A financing program could become more important as the availability of credit declines.
- A green investment fund would be most helpful to small and medium sized developers who otherwise cannot afford the necessary modeling and energy auditing.
- A green investment fund can be considered a “leading edge” program that encourages building designers to innovate in advance of code changes that require energy improvements.
- A green investment fund can also be considered “leading edge” in that it could serve as a case study for Seattle to demonstrate to developers the business case for building green.

A Committee member expressed doubt about the usefulness of a green investment fund, saying that it involves only a few dozen projects in the case studies, compared to SCL's and Puget Sound Energy's (PSE) energy conservation programs that involve hundreds of projects. This member felt that any financing niche not currently filled by existing programs would be best served by private energy service companies (ESCOs), and that the City should not compete with ESCOs. Another Committee member cautioned against making a loan program overly complicated.

A Committee member said that establishing an energy performance rating would allow developers to demonstrate economic value to financiers, thus eliminating current barriers to financing. Another Committee member argued that a performance rating would be better suited to a green building feebate program, noting that a green investment fund is intended to fund upfront construction, while it might take two years to establish a performance rating. Jayson noted that the Existing Buildings Committee is reviewing a performance rating policy option.

Committee members discussed actual building performance and modeling as potential bases for a green investment fund. Details of their comments include the following.

- Modeling can be complex and costly, but useful. If the City could supply modeling expertise to developers, it would remove a barrier to green development.
- A performance-based approach, whether pursued through modeling or actual building performance, is better than a prescriptive approach. A prescriptive approach can hamper progress since advances in technologies and building systems are happening so rapidly.

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- Modeling is problematic because at least half of the information in the model is dependent on assumptions and models tend to assume that all building systems work together well and properly. Actual energy performance can be between three times and one quarter of Leadership in Energy and Environmental Design (LEED) modeling predictions. However, information about actual energy performance can be used to refine the accuracy of models.
- It is difficult to identify the factors contributing to actual energy performance in commercial buildings because there is very little submetering. Building designers and users tend to blame each other for poor energy performance.

A Committee member encouraged the City to look at ways to encourage developers and architects, perhaps through a grant program, to apply their creativity and competitiveness to achieving energy efficiency. The member emphasized the need to allow creative people to come up with new and better ideas, rather than prescribing a menu of options, and the opportunity to cultivate a spirit of cooperation and challenge. Another Committee member noted that for any program to be successful, potential users must be educated and the program must be simple to use.

Green Building Feebate

Claire Bonham-Carter of EDAW provided a brief presentation on a case study of the green building feebate policy option and the policy scorecard that EDAW had developed (Claire's presentation, the case study, and the policy scorecard are available on the Committee's website). Claire pointed out that a program with both incentives and penalties can be self-financing. Claire also provided a few key "lessons learned" from the policy analysis:

- The commercial market is more open to green building practices than the residential market because of their familiarity with LEED and high performance buildings.
- Additional resources for the development community would help it gain familiarity and comfort with green building practices.
- Tying the feebate to third party standards allow for trained professionals to facilitate the process of policy adoption.
- Set targets to stretch markets and be affordable for the City.
- Keep it simple. Developers tend to not want to work too hard to obtain additional incentives, e.g. to prove energy performance.

The Committee expressed general support for the green building feebate policy option, but they had many questions about the structure and implementation of such a program. Committee members made the following comments in favor of the feebate option:

- The green building feebate has the potential to make code almost irrelevant.
- This policy option lends itself the best to being scaled up over time.
- The biggest challenge with a feebate is setting the appropriate price points for fees vs. rebates.
- The incentives do not have to be huge to make a big impact in the developer community.
- Building green does not have to be more expensive than conventional building, so the incentive could be pure profit for developers who design energy efficiency well.

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- A feebate program creates flexibility in the kind of modeling a developer may choose to use. Payment of a reward should be dependent on the building actually performing as well or better than promised.
- It would be very helpful to have energy performance tied to the building title, to help the development and financial community understand the value of green building.
- It is good that the reward is intended to match the additional costs to the developer for achieving superior energy efficiency.

A Committee member said that a feebate program would make more sense at the state level, not localized in one city, although the member noted that city policy has the potential to drive state policy. The member recommended that Seattle develop a policy that could be expanded to the state level and investigate potential legal challenges at the city and state level.

Two Committee members cautioned that it is critical for a feebate to be based on actual building performance, not only on modeling. Another Committee member said that Energy Star or possibly a specially developed new system would serve the purposes of energy efficiency and carbon reduction better than LEED. Another Committee member suggested embedding performance requirements in the covenants, conditions and restrictions (CC&Rs) of multifamily residences and in the title covenant or operating covenant for commercial buildings.

A Committee member suggested that, for legal reasons, a utility should run a green building feebate program, rather than the City. The member suggested paying the reward for high performing buildings as a percentage of the utility bill.

Committee members had several questions and suggestions about the fee in a feebate system. Questions, responses, and suggestions include the following:

- The fee is a function of building size, building energy intensity, and projected building lifespan.
- There may be legal challenges to the City's authority to add this type of fee.
- Is there currently a fee for the cost to the environment when an inefficient building is constructed?
- The City should do an economic analysis of the effect of adding a fee to get energy efficiency results. The City already has very high utility fees and there is a limit on the fees that the market can bear.
- The reward should be a reduction in current fees; current fees should not be increased. Housing in Seattle is already very expensive and adding any cost to the process is not helpful. The City can view the energy savings over time as a recouping of the program cost.
- A reduction in current fees, rather than the addition of a fee, may circumvent potential legal challenges.
- The City ought to add a fee, not just have a system of deductions, if it wants to get developers' attention.
- Adding a fee would assign the cost and responsibility of carbon emissions to the developer where it belongs. Otherwise, without an upfront fee the cost of carbon is externalized.

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- Characteristics of sustainable buildings, such as proximity to jobs and “walkability,” should factor into the penalties and rewards. Also, smaller homes should get more credit than larger homes, as is the case in Portland’s program.

Several Committee members expressed support for a system in which a developer would receive an additional reward if a building performed better than expected over a specified period of time. One Committee member suggested that developers pay into a fund and receive money back two years out, based on actual building performance. This would get appraisers and lenders involved in green building. Developers of low income housing could pay less. Other Committee members emphasized the need for special consideration of low income housing, so as not to drive up costs and potentially drive low income residents away from the city core.

A Committee member said that small developers would still need assistance with the costs of energy auditing and modeling, and suggested that using the green investment fund option in conjunction with a green building feebate program could help smaller developers with those costs.

In response to a question, SCL’s Glenn Atwood said there was discussion at the state level of using a utility tax to scale the per-unit cost of energy based on a user’s level of consumption. This would essentially reward conservation and penalize excessive consumption.

Open Discussion on New Building Issues

Michael thanked the Committee members for their input on these policy options and said they could e-mail the City after a Committee meeting with additional thoughts about the policy options discussed at the meeting. These additional comments will be included with the meeting record and considered when the City develops recommendations. Michael reminded the Committee to e-mail Triangle and/or the City by October 1 with any suggested additional topics of discussion for the Committee, including policy options not already teed up by the City. Michael invited the Committee discuss any topics pertinent to achieving the Mayor’s energy efficiency goal for new buildings. Committee members suggested the following additional topics of discussion for the Committee:

- Consider opportunities that go beyond the individual building envelope by promoting “district” level/infrastructure-oriented solutions.
- Include the concept of embodied energy.
- Look at actual building performance, relying on a building performance scorecard or similar benchmark.
- Consider parking requirements, density and land use issues.
- Have the City focus on improving existing codes and permitting progresses, with an emphasis on alignment with the City’s goals for reducing energy and carbon impacts.

Wrap-Up

Update on Existing Buildings Committee

Amanda Eichel, City of Seattle Office of Sustainability and Environment (OSE), reported that the Existing Buildings Committee met on September 23 to consider three policies related to measurement

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and disclosure. The Committee worked in three small groups to consider the policy options from the perspective of the single family residential, multifamily residential, and commercial/institutional sectors. In general, the single family residential and commercial/institutional groups supported the use of a performance rating, while the multifamily residential group supported the use of a prescriptive checklist.

Public Comment

There was no public comment at this meeting.

Final Thoughts/Next Steps

The City will start and end the October 8 Committee meeting early to accommodate the Yom Kippur holiday.

A list of decisions/action items will be produced and emailed to the Committee in one week. A draft meeting summary will be sent in two weeks for review and approval by the Committee. Once approved, the meeting summary will be posted to the Green Building Task Force website along with the presentations or support materials. Meeting materials will be provided electronically in advance of Committee meetings. If the total size of the attachments is more than 1 MB, a website link will be provided where Task Force members can access the large documents. Committee members may contact Michael, Ellen Blair, Amanda or Jayson if they wish to receive meeting materials in hard copy.